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Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

James J. Hill Goes Fishing.

HE is accustomed to take an annual salmon fishing trip, and recently passed through New York en route, dropping a few off-hand opinions as he went. Five years ago he told the country that one billion dollars a year was needed to make the railroads adequate to requirements of business. He explains this now by saying that this was for terminals, double-tracking and improving the existing lines, not for new roads.

"We don't need any more railways now," he says. "Show me where a new railroad can be built in this country to reach any new business."

In regard to the numerous difficulties of the New Haven road, now very much to the fore as a result of the Interstate Commerce Commission's latest pronouncement, he commented as follows:

When legislatures and public service commissions order you to do things at a loss you have not much chance to make money. Most of the New Haven's business is carried just a short distance, say fifty miles. That is all the road gets paid for. Then by law the shipper is allowed to use the cars that the company has supplied for four days. It stands on terminal property that is very valuable. The company gets nothing on its investment. Those things ought to be changed.

When a railroad cannot earn enough money to pay its bond interest and other debts it goes into a receivership; into the hands of the Federal courts. When more money is needed the court's agent sells receiver's certificates. Later on, if the road is not even earning enough to pay interest on its receiver's certificates, the receiver cannot sell more certificates. We can't compel people by law to buy securities, even when authorized by a Federal court. Who is going to keep that road running?

I know two or three roads that will stop dead unless the government operates them to carry the mails.

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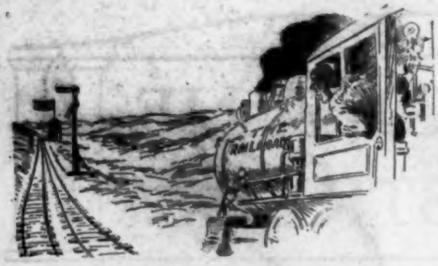
"Stop, Look and Listen!" Says Howard Elliott.

THE President of the New Haven himself makes remarks to the same effect. The duties of American railroads today, he says, with the important exception of paying the bills, are practically directed by Governmental authority. The roads cannot fix the selling price of their goods; their rates are all fixed for them. They cannot control their taxes. They have very little control over wages, and they cannot fix the interest rates which they must pay for capital:

The railroad is never finished, and it cannot stand still; it must go forward or backward,



STILL HELD UP.
—Baltimore Sun.

and to go forward means a constant investment every day in the year. In round figures for every dollar in increase of gross earnings for the railroads of the United States as a whole, at least $6 of new capital is required. In New England, where there is a dense population, for every dollar in increase in gross earnings the new capital investment must be more than $6.

Where are the railroads going to get this money? Are they going to save it, earn it or borrow it?

There have been three Rs in the railroad business in the last twenty years—Raising wages, Raising taxes and Reducing rates. It looks now as if we had reached very nearly the parting of the ways, and that if the nation wants continued expansion and a development of its railroads these three Rs cannot go on, because there will not be money enough to foot the bills.

We put up at a railroad crossing a sign, and we letter it: "Stop, Look and Listen." Has not the time come when the nation should stop and see whether it is now putting a greater burden on its transportation agencies than they can bear, and look ahead and see what is needed in order to let the business of this country go on and grow?

It will be remembered that the Atchison officials have been particularly gloomy for the last three or four years. It is worth noticing, therefore, that an official of that road thinks that "the fiscal year just closed should and probably will mark the turning point." President Ripley is, however, displeased with the decision of the Supreme Court in the Intermountain Rate case:

The Interstate Commission is practically the court of last resort now, and until it has adjusted the relation of rates between coast and interior points it will be impossible to gauge the effect of the decision. Never in the world's history has there been a body with so much power. I do not see that coast rates should bear any fixed relation to rates to interior points.

Plenty of "Watchful Waiting" in the Stock Market.

WE have read a good deal, in newspapers and other forms of fiction, about the frenzied finance of Wall Street, the short but not especially merry career of the "feverish speculator," the nervous break-downs due to continued excitement, and so on. Some of these highly imaginative writers ought to visit Wall Street this summer. As a rest-cure it would be hard to beat.

The market is watching and waiting—mostly waiting. Bad news has no important effect on prices and good news has the same. Quotations, instead of going up or down, insist upon traveling sideways. But traders haven't yet learned to make profits out of these horizontal movements.

The following quotations from two of the leading banking houses say about all there is to be said:

The market is essentially a waiting one. Its thoroughly liquidated condition has been fully demonstrated by its resistance to repeated unfavorable developments. Barring some unforseen catastrophe, there is no reason to expect any further severe decline, but some more definite signal must be given than has yet appeared before any large upward movement will take place. Some rise may be expected in the event of a favorable rate decision, but what the stock market, as well as business, must have, is some assurance of reasonable treatment.

We see no boom immediately ahead—psychological or otherwise—nor indeed would we welcome one. We expect, however, that the energy of the American people will not remain pent up forever, and that it will finally rise above its difficulties, if need be sweeping the politicians into the background in the process. Any one who thinks back 20 or 30 years will recall that we have been through periods of uncertainty and stress quite as severe as the present, and yet we finally recovered, and when prosperity returned it returned in a measure greater than we had ever experienced before.

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"Psychological" Losses Total $40,000,000.

AT least twenty widely known railroad stocks have passed or reduced their dividends so far during 1913 and 1914, and Byron Holt figures out that about sixty other important corporations have done the same thing. This is a painful showing. If it is psycholog-

ical, then plainly psychology is a thing to be reckoned with.

Mr. Holt, moreover, gives us cold comfort, for he says, "We expect this list to grow as rapidly in the near future as it has done in the near past."

Hayden, Stone & Co. have tabulated the increases and decreases in dividends since January, 1913, on stocks listed on the Boston and New York Stock Exchanges. They make the total loss to stockholders nearly $40,000,000, while the offsetting gain is only about $10,-000,000:

REDUCTIONS.

Boston Elevated	6% to 4%
Boston & Maine pfd.	4% passed
Boston & Maine com.	6% passed
Chesapeake & Ohio	5% to 4%
Chicago & East. Illinois pfd.	6% passed
Chicago, Rock Island & Pacific Ry.	5% passed
C. C. C. & St. Louis pfd.	5% passed
Colorado & Southern com.	1% passed
Colorado & Southern 1st pfd.	4% passed
Colorado & Southern 2d pfd.	4% passed
Illinois Central	7% to 5%
Missouri, Kansas & Texas pfd.	4% passed
New York, Chicago & St. Louis com.	4% passed
New Haven	8% passed
Norfolk Southern	2% passed
Pittsburgh, C. C. & St. Louis pfd.	5% to 4%
Pittsburgh, C. C. & St. Louis com.	5% to 3%
Frisco pfd.	4% passed
St. Louis Southwestern pfd.	5% passed
Western Maryland pfd.	4% passed
Adams Express	12% to 6%
American Express	12% to 7%
American Beet Sugar pfd.	5% passed
American Water Works pfd.	6% passed
American Writing Paper pfd.	2% passed
Assets Realization	8% passed
American Malt pfd.	4½% to 4%
California Petroleum	5% passed
Distillers sec. pfd.	2% passed
Goodrich com.	4% passed
International Agricultural pfd.	7% passed
International Steam Pump pfd.	6% passed
Railway Steel Spring com.	2% passed
Rumeley com.	6% passed
Rumeley pfd.	7% passed
Union Bag & Paper pfd.	4% passed
Virginia-Carolina com.	3% passed
Vulcan Detinning pfd.	7% passed

INCREASES.

Brooklyn Rapid Transit	5% to 6%
Hocking Valley R. R.	7% to 8%
Reading Co. com.	6% to 8%
Seaboard pfd.	4%
American Can pfd.	5% to 7%
American Pneumatic 2d pfd.	2% to 3%
Bethlehem Steel pfd.	5%
Colorado Fuel pfd.	5% to 8%
Central Leather com.	2%
Massachusetts Gas com.	4% to 5%
Peoples Gas	7% to 8%
Pressed Steel Car com.	3%
Texas Oil	7% to 10%
U. S. Rubber com.	4% to 6%
Western Union	3% to 4%
Woolworth com.	4% to 6%

Bearish though such compilations may look, they lead the experienced investor to ask himself if this sort of thing hasn't gone about far enough. The lot of the man who is a persistent "bear on the United States" hasn't usually proved a happy one for long at a time. Eighty important dividend decreases or suspensions in a year and a-half look like a good many. The pendulum can't swing one way all the time.

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"Can't Dodge Prosperity"—Farwell.

THE eyes of the Watchful Waiters are all turning to the West, with its prospect for bountiful crops, drawing nearer every day. The winter wheat crop alone will about equal our entire crop of both winter and spring wheat last year. The acreage of corn planted is less than last year, but its condition so far is excellent. A bumper hay crop is being stuffed into the barns. Cotton has suffered some damage, but the outlook is for a fair yield. It is not surprising that Western business men and bankers are impressed:

John V. Farwell: The biggest crops of all kinds for years are reported by our traveling men. The railroads have arranged to handle the produce as fast as it is delivered.

THE CONJURER.
"There will soon be a boom in business."
—*New York Tribune.*

Our markets are waiting to receive the shipments, and the bankers are anxious to get their reserve cash into circulation. With these potential factors at work, the country cannot dodge prosperity if it tries. The depression of the summer has been due to lack of confidence on the part of capital. Much money went into hiding to await developments. Whatever apprehension was felt, however, has been set at rest by the bumper crops. The next move is the distribution of products and money, so that prosperity will be brought to every individual. That such prosperity will come within a short time is reasonably certain.

E. C. Simmons: To sum it up, I quite believe that the inspiration of the winter wheat crop—which it will take 525,000 cars to move—after making generous allowance for that which is consumed on the farms—has put courage and new life into the people from one end of the land to the other. If nothing occurs, in the way of adverse and threatening legislation, to shake this spirit of hope and confidence, I feel absolutely sure that we will almost immediately have good business all over the country, and that each succeeding month of this year will show a vast improvement over the preceding one, so that by the time the year closes there will be a condition of prosperity in this country second to none that has ever existed previously. I have always been an optimist; in fact, in the section of the country where I live, I am frequently dubbed the "Sunshine Captain," and I am more optimistic today than I have ever been before.

George M. Reynolds: I believe we are still in the period of readjustment, but, having gone through several months of it, we are that much nearer the time of actual and substantial improvement, and the man who holds to a steady and hopefully conservative course, keeping in mind the new wealth to be added by this year's farm returns, will not go far astray in his calculations.

A. J. Earling: The outlook for the coming year is exceptionally good, in consequence of the unusually large crops in the Northwest which are in prospect. I look for very substantial improvement in railway earnings, and in business generally.

American National Bank, San Francisco: Any one who has been induced by the general wave of pessimism to believe that the nation is going to the dogs should take a trip out into the country, forget the woes of business and rest his eyes on the yellow fields of grain and the ripening fruit that bends low the branches of the trees. Because there is where the money comes from, the money that supports the stores, erects the skyscrapers, and buys the clothes and ornaments, the automobiles and talking machines, and all the other commodities, from the manufacture or distribution of which the city makes its living.

A Condensed Symposium by Men Who Think.

A SOMEWHAT unusual number and variety of leading thinkers have recently expressed themselves in regard to business conditions and prospects. Their opinions are well worth noting. Among them are men who view business from every angle, from widely separated localities, at home and abroad, in various lines of trade—beginning with the President himself, who may perhaps be not wholly unprejudiced:

President Wilson: We are in the presence of a business situation which is variously interpreted. Here in Washington, through the Bureau of Commerce and other instrumentalities that are at our disposal and through a correspondence which comes to us from all parts of the nation, we are perhaps in a position to judge of the actual conditions of business better than those can judge who are at any other single point in the country; and I want to say to you that as a matter of fact the signs of a very strong business revival are becoming more and more evident from day to day.

I want to suggest this to you: Business has been in a feverish and apprehensive condition in this country for more than ten years. . . . When the programme is finished, it is finished; the interrogation points are rubbed off the plate, business is given its constitution of freedom and is bidden to go forward under that constitution. And just so soon as it gets that leave and freedom there will be a boom of business in this country such as we have never witnessed in the United States.

James Speyer: I am hopeful that the rate decision may be handed down at an early date in order that the suspense may be ended, and that business may assume normal conditions. With promise of bountiful, high-grade crops, the prosperity of this country will not be interfered with much longer. I look for an era of renewed activity in business and in commercial and financial affairs beginning with the announcement of the rate decision by the Interstate Commerce Commission.

Judge Gary: It seems to me it would be foolish to claim that business conditions generally in this country at the present time are satisfactory. I think you will agree with me that in our lines, taken as a whole, business conditions during the last few months have been worse than they have been before at any time during the last decade. I fear the earnings of all the companies for the present quarter will be rather small by comparison with other periods.

I believe that in the early autumn we shall see an improvement in our business conditions.

We are already witnessing an increase in

"YOU GET OUT."
—*Cleveland Plain Dealer.*

tonnage; and it will be further increased, I trust. The mere fact that tonnages are increasing from day to day will naturally influence some improvement in prices. Therefore, I think, our earnings should be more satisfactory in the latter part of the year.

Sir George Paish: What is happening is not peculiar to the United States, but is incidental to the business situation generally. We calculated upon this reaction for 1915, but it has come earlier, and I believe an improvement is near. As to the United States, the shortage of the corn crop last year is one of the contributing causes. Such a shortage is inevitably followed by a shrinkage in trade. A more immediate cause is the delay in the decision of the Commerce Commission. You cannot expect the railroads to concede such a big increase of wages in so short a time without giving them some set-off against such an addition to their expenses. If the Interstate Commerce Commission grants the increased rates, business will show a distinct revival, especially with the prospect of good crops this year. There is no fundamental reason for depression.

Newman Erb: European countries are experiencing a depression equally as great if not greater than that existent in this country. The shrinkage in Americans abroad has been tremendous, and it is no less appalling in home securities. Therefore investment is at a standstill, if liquidation is not going on. Among financiers and big business men abroad there is a general feeling of regret that the Administration at Washington is proceeding with anti-trust legislation.

National City Bank of Chicago: The country is in shape to do a good business if those in control of great enterprises are encouraged to believe that Washington is really interested in promoting improvement. With the prospects of unprecedented crops and the practice of numerous economies, the time is ripe for a revival in business. But that cannot take place so long as the politicians turn things upside down and propose really revolutionary changes. With a great dry goods house in the hands of a receiver, with business stagnation prevailing in some quarters and with several hundred thousand men out of employment it stands to reason that the country is suffering from something more than a "psychological depression." The outlook should not be viewed pessimistically, however, for there is abundant reason for taking a hopeful view of things provided there are no further setbacks. Everything is at rock bottom and there has seldom been a time when the country was so free from speculative excesses. Europe may be expected to take great quantities of our wheat and inasmuch as we have relatively little outstanding indebtedness abroad, there is reason to believe that we shall get back next fall a good portion of the $80,000,000 gold that has been exported so far this year. As soon as grain shipments are made in large volume there will be a turn in our foreign trade and instead of exporting gold we shall be in shape to import it.

Robert R. Reed (General Counsel of the Investment Bankers' Association): We are, hope, about to emerge from a psychological depression. Our successful emergence is dependent on many things, not the least of which is a decrease in psychological legislation—that is, legislation for popular effect, as opposed to legislation directed to a real public good. A relatively few constructive and democratic reforms intelligently applied would do the work intended by the mass of unintelligent, largely unconstitutional, statutes from which the whole country is suffering.

I wish to emphasize the vice of extending control by the executive or by commissions over the essentially private transactions and callings of the individual. The real issue today is not government by commission, it is the preservation of the efficiency of such government, on the one hand, by confining it to the great objects of administrative action, and the preservation of democracy, on the other hand, against the unwarranted encroachment of executive control over the individual.

Democracy consists in the essential liberty of the individual. The privilege of running a railroad, or a bank, or of being a corporation is not a part of this liberty. It is accepted and exercised subject to administrative control. But the right to buy and sell lawful property, to lend and borrow, is a part of individual liberty. This liberty may be subjected to general laws to prevent abuses. It may not, however, be prohibited, and it may not be subjected to the will or discretion or control of the executive. It ends, and democracy ends, where personal government begins.

F. M. Gettys, Vice-President, Union National Bank, Louisville, Ky.: We have made a compilation of 109 replies to letters sent out to Louisville jobbers and manufacturers selected from sixty branches of trade and in some lines like whiskey, corduroy clothing, agricultural implements and tobacco, covering a wide territory.

The answers received compared with the compilation made last December for the year 1913 indicate a material falling off in business. At the same time, the situation is not altogether bad, and some superficially unfavorable reports on closer examination exhibit elements of great strength. For instance, the present heartrending policy of hand-to-mouth buying, causing mills to curtail production and creating idle workmen, has reduced stocks in many lines to a minimum, and in none of the replies received have we had an expression of an overproduced condition, a most healthy underlying situation.

There are many who feel that even now we are turning the corner.

E. M. Herr, President, Westinghouse Electric: There is not a great deal of improvement in the electrical business as yet, but our industry invariably trails the steel trade about three or four months. For instance, when the steel business picks up the electrical business shares in the betterment, but about three months later, and similarly when the steel trade declines. I am hopeful that a permanent improvement in the steel industry has set in. The prospects are better. Reports from Pittsburgh that railroads have taken on more shopmen and have ordered freight car repairs immediately, mean more business for the steel mills. Our business should feel the effect of that later.

Robert F. Maddox, Vice-President, American National Bank, Atlanta, Ga.: General conditions in this city and section during the past six months have on the whole been satisfactory. Clearings for Atlanta for the past six months were $55,000,000 in excess of the same period last year. Building permits were $3,000,000 against $3,100,000 last year and Post Office receipts were $760,000 against $690,000 last year. Collections have been good, but there has been no disposition to expand business, owing to what appears to be a world-wide depression.

J. F. Welborn, President, Colorado Fuel & Iron Company, Denver, Col.: Our volume of business in agricultural districts served by us, which comprise most of the States west of the Missouri River, has been just as good during the last six months as in the corresponding period last year. Trade with other classes, however, has been very greatly curtailed, with the prices on steel products generally such as to return very little, if any, profit.

Robert C. Howe, Omaha: Conditions in the Middle West are better than they were a year ago, and were it not for the uncertainty in business circles the general conditions would have been very good.

The natural conditions of the country were never better than they are today, and for crop prospects it has been an extraordinary year. Farmers will probably have to market their grain at lower prices than they have in the past year, but this will be offset to a very great extent by the increased yield per acre.

We will have an enormous wheat and oat crop, and the crop of alfalfa and hay will be above the average. Corn prospects were never better and the crop is two weeks in advance of the average year, which should see it matured before any danger of frost.

There were more pigs raised this spring than in many years, and unless we see some severe sickness there will be a liberal marketing of hogs next winter.

There will continue to be a shortage of cattle, as the supply is not equal to the demand; although more cattle are being raised, it will take some time for these cattle to mature and be ready for market. I do not look for any very cheap prices in these commodities for some time to come.

Beverly D. Harris, Vice-President, South Texas Commercial National Bank, Houston, Texas: The fact is that the country is paying the penalties for its indiscretions of the last fifteen years in frenzied finance, inflation, get-rich-quick methods, and more or less rottenness and rascality in high places.

When we can know definitely what our laws are and where we stand—when we can go ahead free of the dread of radical and unsettling changes in these laws—the vital energies and resources of this country, with a general restoration of confidence, will speedily usher in the great business revival for which we have been waiting so long. And this prosperity will be more substantial and permanent and genuine, proceeding from personal economies and thrift engendered by hard times; from the experiences of the past and the feeling that we are walking on solid ground and in our business methods not departing too far from "the old-time religion," honesty of purpose, and conservative standards of our ancestors.

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Echoes of the Claflin Failure.

DOUBTLESS there never was a big failure that the papers did not at once declare that it was "due to special causes." And in most cases this is true; but it may also be partly due to general causes. The *Dry Goods Economist* calls attention to the fact that the Claflin failure is not the first among New York jobbers. It was preceded by that of E. S. Jaffray Co., Sweetser Pembrook & Co., Teft-Weller Co., and the discontinuance

of Lee Tweedy & Co. Only one other large house remains to represent general dry goods distribution in New York City. The jobbing trade has for the most part moved to the Central West, where it is nearer to its market and to most of its sources of supply. The Claflins endeavored to hold their own by embarking in retail trade and became overextended.

An editorial in the *Times* brings out very clearly another important way in which the Claflin failure was the result of conditions that are now about to pass away:

The Claflin failure is an episode belonging to the past rather than to the present or to the future. Its troubles are not of the current time, but were the product of a system which will pass with the establishment of the new banking system. The concern secured credit from thousands of banks, none of which knew of the total obligations of the firm. They secured it upon paper such as the new Federal system would not accept. To a large extent their accommodations were obtained by indorsement of paper which was really their own, although the names upon it were different.

In the phrase classic since Bagehot's time "it was pig upon pork." Apparently it was two-name paper. Really it was paper with a single interest behind it to the extent that interownership mingled the assets and the obligations of the related concerns. So long as paper pays paper, it is possible to put out and keep afloat an increasing volume, and to show bookkeeping profits. But when payment is required and assets shrink with falling prices the end is near.

In the new system the lenders will be organized, and overextension will be more difficult. When it occurs it will be liquidated in an orderly manner, and will not be complicated by dealings with thousands of scattered banks, none of which dares to be as generous as a centralized institution able to control the processes which it supervises throughout the entire country.

The Foreign Situation and its Effects on America

A Real Economic Crisis in France.

ALTHOUGH the new Government loan in France was a success and brought a good deal of cash out of hiding, its effect on the markets of the world was *nil*. The new bonds sold at a premium on the day of issue, but most of the premium was soon lost. The higher rate of interest on this loan (3½ per cent.) has adversely affected the price of the staple 3's, of which an enormous amount is outstanding. On December 31, 1909, the value of these 3's was figured at 98.38 per cent. of par, but since that date their fall has been continuous to 85.78 per cent. at the end of 1913 and 83.88 on June 30, 1914.

The failure of the new loan to stimulate investment demand has had a depressing effect at Paris. Bankers are wondering to what they can look for relief now that the new loan has proved to be without effect. The fact appears to be that France is suffering from a general economic crisis. Says the *Journal of Commerce:*

France is suffering at the moment partly from a general economic crisis, and partly from the after effects of inflated speculation, and of the flood of new issues, many of them more or less indifferent, which exceed the capacity of the saver and produce an indigestion on the Bourse. Alfred Neymarck estimates that at the end of 1913 France held between 115 and 120 milliards of francs' worth of securities, including Government stocks; whereas, ten years previous the total held was not above between 90 and 93 milliards, 27-32 milliards being foreign. The new issues of 1913 were few in comparison with 1911 and 1912, and exceeded those of 1904 by more than 2 milliards.

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Why Does Europe Sell "Americans"?

THAT Europe has sold American securities heavily for over a year is well known—in fact, there is still to be noted occasional liquidation from the other side. It is natural for us to attribute such sales in part to our own unsettled politics and to the revelation in regard to the spotted past of our "high finance"; but a far more important reason has been the unsatisfactory state of Europe's own affairs.

The causes of the depression abroad

are well summarized by Hartley Withers in his recent book entitled "Poverty and Waste":

One is the wholesale destruction of capital by wars. The second is the opening up of the uttermost parts of the earth to cultivation and development by improved means of communication, which increases the world-wide demand for capital to be put into production, which takes some years to bear fruit on a large scale. The third is the huge expenditure of the nations, especially on armaments and preparations for war. The high taxation that is now exacted by our rulers has little or no effect on the personal comfort of the wealthier classes, but it seriously curtails their saving power. The fourth is the high level of personal expenditure and luxury that modern fashion prescribes.

Under these conditions "Americans" have been among the most salable assets of foreign investors.

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Result—Gold Exports From This Side.

OUR gold exports for 1914 to date have set a new record at about $84,000,000. A very large part of this is the result of European sales of our stocks and bonds. It is true that other causes have contributed, but it is doubtful if they would have been effective in producing any very large movement of gold if Europe had been buying our securities in the usual and normal way.

One of these other contributory causes is, of course, the building up of "war chests" by Continental Governments. Another is the decrease in the world's gold production. On the latter subject James Umsted has some interesting things to say in *Financial America:*

It is within prudent limits to predict a net decrease in the world's gold production this year of $25,000,000, bringing it down to an aggregate of about $430,000,000.

How will the banking world manage to nullify the economic effects of this great loss of gold, the ultimate base of all credits? In the United States, under the new Federal reserve law, we hope to make a more efficient use of our gold reserves than ever before. In Germany a strong effort is making to increase circulation of paper currency, and to encourage a larger use of bank checks, minimizing the actual transfer of cash that now takes place to a wholly superfluous degree on the periodical settlement occasions in the empire. But not the least factor in relief already has been the diminution in the gold absorption of India.

For the calendar year 1913 the net gold imports into India were equal to over $90,000,000, while in 1912 they were about $145,000,000. This year the shipments have been $18,000,000 less than in 1913 in the five months ended May 31. If this average is maintained through the year, the decrease in India's gold absorption for 1914 will exceed $43,000,000. There is not here any actual equivalent for the world's probable loss of $25,000,000 gold wealth, but this much will be accomplished: The better utilization for the monetary purposes of the international system of every sovereign or gold bar that is withheld from the Hindu Empire's hiding and hoarding places.

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Foreign Opinion on Our New Reserve Banks.

EDMUND D. FISHER, deputy comptroller of the United States, and a thorough student of banking reform, has recently returned from a trip abroad, and in an extended interview he brought out many facts which the American business man would do well to ponder, as they bear directly on the conditions he will have to meet very soon when the new banking system is in operation. His comments show a keen insight into the workings of vital business forces:

European comment upon international finances was that New York and Berlin are in satisfactory condition, while Paris and London are confronted by the prospect of further liquidation before normal conditions can obtain.

Both Paris and London for many years have been the operating theatres for thousands of promoters. I am told that at least 5,000 promoters, hailing from almost every section of the globe, annually attempt to float enterprises in London. Naturally but a small percentage of these men succeed in getting the capital they seek.

At present these, as well as the largest of the other European banking centers, are congested with non-liquid investments.

We are at the end of a long period of promotions, reorganizations and mere cross-entry business in our great cities, with the diminishing tendency to develop real wealth.

The new period of prosperity which is before us will, in my opinion, be sounder because it will be supported by the new Federal reserve system. The discount policy which will be developed should be both a stimulative and a corrective, as may be necessary.

The new board at Washington will be in a position to collect and to analyze commercial and financial data with an efficiency never before possible.

The banking power has a broader economic significance than most of us realize. An advance in the discount rate inevitably will draw capital from foreign countries, and tend to offset gold exports, while stimulating importation and generally tending to discourage the

financing of foreign enterprises, and to minimize local loans.

It also tends to stimulate the payment of foreign accounts, prompts borrowing abroad where money may be cheaper, discourages speculation in securities and commodities, stimulates exportation of goods for money, and retards importation.

All these things being true, it is quite evident that the Federal Reserve Board at the helm of our national finances will have tremendous, though necessary, power. There is necessity so to study the undercurrent economic movements that business difficulties may, as far as possible, be prevented.

In general the managers of the European central banks admitted to me that their action is largely based upon superficial conditions, rather than upon deep and fundamental knowledge of the undercurrent of economic life.

The average man in business does not realize that the undercurrent must eventually come to the top, and that upon his preparedness must depend his fate.

Every period of business activity carries with it the cumulative force of its own errors, which ultimately must be cleared. In the past we cleared through panics. In the future we hope the clearing, the general readjustment, will be effected without panics, by means of a wise discount policy.

The whole question of these superficial and undercurrent relations fundamentally is one of prices. Business men talk freely of what they call inflation, but unfortunately they spend little time in analyzing and correcting those causes which are responsible for the unfortunate changes in price relations, which often force the involuntary sale of commodities and securities in periods of crisis and readjustment.

The American Federal Reserve Board will justify its existence only by making complete studies of the principles underlying a discount policy. The board msut have sufficient nerve to act at times when its policy will be certain of severe criticism.

Setting aside the question of supply and demand, which has its own problems, what may be called the equilibrium of price relationship can and must be maintained, as far as possible in our complex business life, by the new board.

England seems fearful that some insidious principle of inflation has been deftly hidden in our Federal Reserve act.

In arguing against this I called attention to the fact that the men who had been thinking most on banking principles during the development of the new system are quite conscious of the danger of inflation, and that everything possible will be done in the United States to safeguard public interests through the establishment of a conservative policy.

The Supreme Court's Railroad Decisions

The Long and Short Haul Question Once More.

THOSE whose memory carries them back into the nineties very well remember the annoyance the railroads then suffered from the ruling that a road could not charge more for a short haul than for a longer haul over the same route. For some years rates had to be adjusted to this basis. Then came the famous decision of the Supreme Court in the Trans-Missouri rate case, which knocked out the long and short haul clause entirely. Since then the rates to Pacific coast points have been much lower than to intermediate cities such as Salt Lake and Spokane.

The new law passed in President Taft's administration turned the whole rate-making power over to the Interstate Commerce Commission, and the Supreme Court has now affirmed the constitutionality of that law by holding that the commission's ruling in 1911 applying the zone system to transcontinental rates was within the meaning of the law. As a leading traffic manager puts it:

> The Commission laid down the principle that they had a right to make rates automatic by a percentge regulation governing rates between intermediate points and through traffic to the Pacific Coast. They said that no rate from a point west of the Missouri river to a point of the Pacific Coast could be more than 100% of the through rate; 107% was the proportion allotted from Chicago, 115% from Pittsburgh, and 125% from New York.

The result is that the roads will not be able to meet the new Panama Canal competition by lowering rates to the coast without also scaling down important local rates to Rocky Mountain points. It cannot be doubted that some loss to transcontinental lines will result. One estimate is a reduction of "$1,000,000 to $3,000,000 each" for the leading transcontinental roads; but at the present stage any estimate can be little better than a guess.

GET OFF THE TRACK.
—New York World.

Roads Now Serve But One Master.

THE cheering aspect of the decision is that the railroads now have to look to but one master, the Interstate Commerce Commission, and it has full control over the situation. Probably this will be better for the roads in the long run than a division of authority, with continual argument and uncertainty as to what the commission can do and what it can't. The *Wall Street Journal* summarizes the situation as follows:

It would be idle to attempt to say in precise terms what effect the decision of the Supreme Court in the intermountain rate case will have upon the revenues of the so-called transcontinental railroads, lying west of the Missouri river. The decision of the court leaves the railroads the same option as did the decision of the Commerce Commission, rendered nearly three years ago, of reducing the rates to intermountain points already fixed by the commission as reasonable, to make them conform to the prescribed percentage relations to the rates through to the coast cities; or to bring about the same relations by raising the coast rates and sacrificing much of the coast business to water lines.

The dilemma of the carriers is made the more puzzling by the near approach of a new and sharper competition in coast-to-coast traffic from steamships using the Panama Canal, and the fact that some of the rail rates to Pacific Coast cities have been raised, with the tacit approval of the commission, to a level that even now drives some business to the long water route around South America, and to the water-rail-and-water routes via the Panama and Tehuantepec Railroads. Doubtless the outcome will be a compromise, in which the rail carriers will seek to keep the coast rates as high as possible on traffic least likely to move by water, and to reduce rates to the interior cities where such reductions will least impair their revenues.

Whatever the readjustment of rates, it will be subject to review by the commission, which seems to gather power over rates with every decision of the Supreme Court. And it is just here that the real import of the decision is to be found. The Supreme Court declares, in effect, that it is and has been the intention of Congress to give the Commerce Commission unlimited authority over interstate rates, subject only to the constitutional limitation that the carriers shall not be deprived of a fair return upon the value of their property and the statutory limitation that all rates shall be "reasonable" charges for the services performed.

No one will regret the decision. If the commission is to have any authority over rates at all it should be such authority as will carry with it the fullest degree of responsibility for the commercial, industrial and social results involved. A regulating body with just enough authority to interfere with the delicate adjustment of interstate freight rates would be, and at times has been, one degree worse than one with plenary powers.

* * *

Southern Pacific Keeps Its Oil Lands.

THE decision in regard to Southern Pacific's ownership of oil and mineral lands naturally attracted much more attention in California than in the East. Estimates as to the value of the decision to Southern Pacific run all the way from $20,000,000 to $200,000,000, the actual amount of the mineral deposits being, of course, unknown. Frederick R. Kellogg, of New York, who argued the case against the road, explains the decision as follows:

In 1892 the Southern Pacific Company applied for patents for a large area of land situated in southern California, representing that these lands were vacant, unappropriated, and not interdicted mineral or reserved lands.

On July 10, 1894, the government issued a patent to the Southern Pacific Railroad Company covering a portion of these lands. The Department of the Interior attempted to protect the interests of the United States by inserting in the patent, after the granting clause, the following language:

"Yet excluding and excepting all mineral lands, should any such be found in the tracts aforesaid," etc.

On March 3, 1909, certain individuals, claiming that a part of these lands were petroleum lands, and were therefore mineral lands, and that they were therefore excepted from the grant to the railroad company, made mining locations upon these lands, and claimed to be

entitled thereto in preference to the railway company and its sub-company, the Kern Trading & Oil Co.

Suit was thereafter started by these locators to clear their title and establish their rights in preference to the rights of the railroad company and the Kern Trading & Oil Co. At the hearing in the Circuit Court a decision was rendered in favor of the railroad company. An appeal was then taken to the Circuit Court of Appeals, by which court several questions were certified to the Supreme Court of the United States. These questions were answered by the Supreme Court in the decision handed down yesterday in favor of the railroad company, and against the rights of the locators.

The published extracts indicate not only that the claims of the private individuals have been denied, but that the claims of the United States Government in its pending suits have been, if not extinguished, yet very seriously affected. It may be observed in this connection that the latter point is of very much greater importance than the former, because for every acre of land which would have gone to private ownership had the decision been in favor of the locators, hundreds of acres of the most valuable petroleum lands in the United States would have been confirmed as belonging to the United States Government.

PROPOSING UNDER DIFFICULTIES.
—Des Moines Register Leader.

Business and Politics

Vanderlip Appeals to Public Opinion.

IN an address to the New Jersey Chamber of Commerce, Frank A. Vanderlip argued with customary lucidity and force in favor of a "Constructive Public Opinion," to be formed by aggressive action by business men. He stated that the pending legislation now before Congress is not indorsed by a majority of American citizens and suggested that the chambers of commerce of the country follow the example set by Samuel Adams before the Revolutionary War and act as committees of correspondence to build up sound and well-informed public opinion.

For such a campaign the machinery is ready. The Chamber of Commerce of the United States has gathered into its organization 588 commercial bodies, having a membership of about 300,000; but as yet the machinery has not been put into active operation. Mr. Vanderlip said:

For myself I can only say that the political current upon which we are now beginning to travel with tremendous speed, seems to me liable to land us in a thorough-going disorganization of business and industrial life. Those currents may be engendered and guided by forces partially sincere and honest, but only partially, and even when those forces are sincere and honest, they are frequently ill informed as to facts and lacking in sound understanding of great economic principles. . . .

Band yourselves together to make an appeal to the common sense of the people. That will not be conspiracy. Seek by your united efforts to build a public opinion that will promate the safety and happiness of posterity. Do not think only in days or in weeks, but think in decades. Realize the responsibility which is yours to turn present forces in right channels. Realize that patriotism means a submergence of self-interest. By a submergence of self-interest alone can you help to form a public opinion that will permit the creative genius of business to be recognized at its true worth, and thus give to that genius the position it should rightly have—a place where it will be above adverse criticism.

Such a course of action will create a public opinion that will be constructive, and not as now, destructive, of the best sort of business activity. If you will do this, if all of us will unite to create such a movement, there

need be little fear for the ultimate solution of our problems, nor for the permanence of our prosperity and the pre-eminence of our country.

* * *

Automobiles at Seven Cents a Pound.

ELBERT HUBBARD, speaking before the Pennsylvania Bankers' association, brought out the same idea as Mr. Vanderlip, but from a different point of view and in a quite different style—as might be expected. His subject was "Get Together." He evidently feels, as does the Detroit National Bank of Commerce, and many others, that "Congress is in danger of burning down the barn to get the rats." We quote extracts from his pungent and amusing address:

The other day I was at Kalamazoo, Mich., and I visited the State Insane Asylum. I saw a man, an attendant, taking 25 patients across the lawn. The patients were bigger than he was. He was a little fellow, a kind of a half portion. I was walking with him and I said: "Are you armed?"

"No," he said. "Why be armed?"

I said: "You have got 25 men here in your care. What is to hinder them from setting up a job on you and getting after you at a signal and six of them jump on you at once and put you out of commission?"

He looked at me and he said: "You belong here all right. You ask why these fellows don't get together?"

"Yes?"

He said: "They can't; that is why they are here; they can't get together." (Laughter.)

Sanity is the ability to co-operate. Sanity consists in ability to do team work, work with other people. Get rid of your grouch. Make two grins where there was only a grouch before. But, friends, get together.

We live in an age of co-operation. We have moved so fast, and have gone so far in a short space of time, that a good many people have not been able to adjust themselves to the new conditions under which we live. We have gone through the savage stage, through the stage of the nomad, through the purely agricultural stage, through the age of feudalism, out into the age of competition, and we are passing out of the age of competition into the age of co-operation. Competition as an economic factor is as dead as feudalism. To adjust ourselves to this new time, and this new ethics is the business of bankers and the business of business men.

Henry Ford takes iron at a cent a pound, wood at a cent a pound, vanadium steel at 3 cents a pound, copper at 14 cents a pound, and then he takes a daub of paint and a pot of glue and makes all these things up together. These things—figuring them out—costs him less than seven cents—the amalgamation costs less than seven cents a pound, and he sells them to us at 50 cents a pound—that is the price of a Ford—50 cents a pound. Isn't he doing us up, don't you think, that man Henry Ford?

He manufactures thousands of automobiles a year. America consumes 200,000, and we send 100,000 across the sea. For these automobiles that he sends across the sea he gets 50 cents a pound. This allows him to pay his men a minimum wage of $5 a day, applicable to 18,000 men.

Suppose we could dissolve this man? Suppose we could break up his big organization into units and destroy his efficiency, so that he could only make 200,000 automobiles—he would lose money. We would lose the money that comes to this country from across the sea, and instead we would be selling copper to Germany at 14 cents a pound, iron at a cent a pound, steel at 3 cents a pound, wood at a cent a pound.

I believe in big business. I believe in big organizations. I believe there should be no limit on the amount of wealth in the world. That is where our Socialist friends go wrong. That is where labor gets in wrong.

In the beautiful town of East Aurora, the other day, we were getting in alfalfa. I got the boys and I started and I saw the town fool coming down the street. I said: "Jake, help us get in the alfalfa."

Jake says: "What will you pay me?"

I says: "Jacob, we will pay you all you are worth."

He says: "I won't work for that."

I told a man what the town fool had said, and he said: "He is no fool; he is a Socialist." (Laughter.)

The big men of the world who become organizers are all graduates of the university of hard knocks.

Business is not represented in Congress. We leave things to the politicians, to Moyer, Haywood, Emma Goldman, Mother Jones—then we get together here and complain. We get just what is coming to us. If we don't know enough to send men to represent us, the people are going to send men there that will misrepresent us.

A HARD TASK MASTER

—Spokane Spokesman Review.

The Unions and the Farmers

"More Pay for Less Work."

THE United States Department of Labor has recently issued statistics of wages and hours of labor covering 49 different occupations. The figures represent the union scales for both hours and wages and therefore do not apply to non-union labor. The *Annalist* has put the figures into graphic form and we reproduce the diagram herewith.

The question is, can we go on indefinitely giving "more pay for less work?" Charles C. Jackson, of Boston, known as a student of financial and business cycles, says that we cannot:

Because President Wilson is obviously absurd in asserting that the present economic depression is psychological, does it follow that his opponents are right in charging it all to bad legislation?

It becomes clear that the effect on business of bad legislation is far less than we are prone to expect, if we remember that the terrifying administration, legislation and investigations began about as soon as President Roosevelt was elected in 1900, and have continued ever since; but, notwithstanding this, we have had three separate periods of excessive expansion and over-construction in these years, namely, 1903, 1907 and 1913.

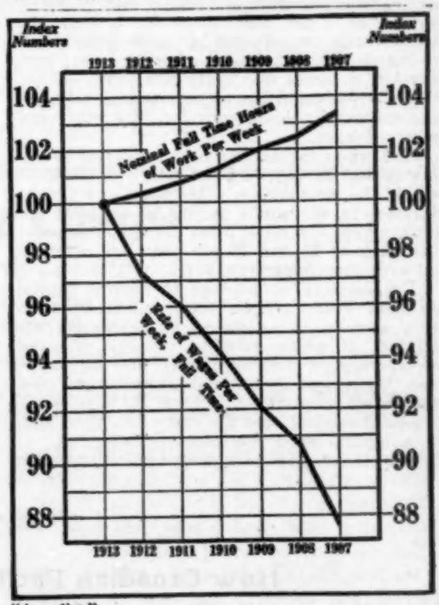
If the present depression is neither psychological nor legislative, can we discover any one peculiarity in our affairs, which was existent for a time after the crisis of 1873; after the crisis of 1884; and after the crisis of 1893; and which is existent both here and in Europe today? I think we can see plainly that one peculiarity in all these cases is and has been a lack of investing capacity.

In order to understand the situation of business one must keep in mind that in 1913 probably 4,000,000 men were engaged in constructing permanent property, and that probably the idleness among this class today is equal to the full time of 2,000,000 men. It seems to me that the great question before the business community is how to set this idle 2,000,000 at work.

The reason why these men are not at work is that our investors are not supplying money to pay them with. It seems clear that the chief, if not the only, reason why investors do not supply this money, is that they have not got it, for if they had it there would certainly be a much better demand for first-class bonds. And the obvious reason why they have not got it is that the various operations from which they derive their profits are not paying well, and that their profits are therefore unusually small.

The question is then, how shall the profits of the commercial and manufacturing and transporting classes—who are, of course, our chief investors—be increased. Now it is obvious that profits cannot be increased by raising the prices of our products, for, if these prices were raised, our balance of trade with foreign countries would be so much against us that we should export gold enough to cause a financial spasm. The only avenue to an increase in profits seems to be through a reduction in wages.

Wages are beginning to decline, and, since there are so many idle workers (who cannot be set to work until the profits of investors increase, and wages decline, materially) it seems clear that a serious decline in wages is inevitable.



"Annalist."

Some Aspects of Rural Credit.

IT is understood that the administration thinks the whole question of agricultural credit should be postponed until the new Federal reserve banks are

in operation and business has become adjusted to the change. In the meantime the subject is being discussed in many quarters. Investment bankers are planning to issue bonds guaranteed by a trust company and based on farm mortgages, thus introducing the elements of both permanency and mobility into farm credit. What the Government may be able to do is uncertain and it also remains to be seen what the National banks will actually do under the new law. John Parr, in *Everybody's,* sets forth the present situation very clearly:

If a man has $10,000 of capital, and wishes to engage in a business the normal profits of which are 10 per cent., and can borrow $90,000 at 5 per cent., he has in his service $100,000. His gross profit will be $10,000, out of which he pays 5 per cent. ($4,500) on the $90,000 which he has borrowed, and has $5,500 for himself. That is 55 per cent. on his own capital of $10,000.

That kind of finance has been impossible for the farmer, to whom capital is not only much dearer but much less accessible. When he borrows *fixed* capital on a mortgage, he pays 1 or 2 per cent. more for it than the interest rate on corporation bonds, which represent the *fixed* capital of other business; and, besides, it comes due every few years—either three or five—and has to be renewed, whereas the corporation bond runs for fifty years and maybe longer.

And when the farmer has to borrow *working* capital he pays a price which in business would be prohibitive. Instances of negro farmers in the south paying 60 and 100 per cent. a year for small loans are not unknown; instances of 15 and 20 per cent. are common all over the country.

The farmers do manage to borrow capital of both kinds. Their total indebtedness in this country is estimated at nearly $6,000,000,000, of which, roughly, one-half is owed on mortgages, and the other half to banks and implement firms and storekeepers and merchants; but they borrow in the most wasteful manner, and the cost of it, mind you, is a burden upon the cost of food.

The reasons are obvious enough. Commerce borrows capital more cheaply and more easily than agriculture because, mainly, commerce is concentrated. The banker knows his commercial borrower personally, sees him every day, and is continually hearing reports on his conduct; or, if that is not the case, then the commercial borrower at a distance has a credit rating in Dun's or Bradstreet's. With an agricultural borrower it is different. The farmer comes to town occasionally, and the banker who has loaned him money on his note may not see him again until the note is due.

The farmers could form credit unions of their own, with small capital, even with borrowed capital, and help themselves. Jewish colonists have done this very successfully already in several states, under the direction of Leonard G. Robinson, general manager of the Jewish Agricultural and Industrial Aid Society.

But this involves a degree of co-operation of which the American farmer so far has seemed incapable.

THE SOWER.

How Canadian Pacific Shares Are Held

There Are 34,589 Shareholders With an Average Number of Shares Held by Each of 75.17

9,466 hold under ten shares each.
17,473 hold under twenty shares each.
26,834 hold fifty shares and under.
30,203 hold under one hundred shares each.
32,599 hold under two hundred shares each.

View of the Floor of the New York Stock Exchange

Taken from the Gallery, 10.35 A. M., June 11, 1914.

The streaks show "activity" on the part of a few members, although the film was exposed only one-third of a second.

The Big Crops

What They Mean to the Country in General

By A. L. RUSSELL
Editor "Market Review"

Mr. Russell has been an authority on this subject for twenty-five years. His discussion is brief but may be accepted as an accurate review of the situation.—EDITOR.

THE crop situation in the United States this year is a very encouraging one. The extraordinarily wheat crop promise is well backed up by thoroughly good promise for the other leading grain crops, while the promise of the minor crops, and the promise of the cotton crop is also satisfactory for at least average yields if not better. The Government report which was recently issued confirmed the previous expectations regarding the wheat crop, showing an improvement over the promise of June 1, and the extraordinary indication of 930,000,000 bu. is now given as the promise of this year's outturn. Such a crop is 167,000,000 bu. more than last year, and last year's crop was a record one. The largest previous crop to last year in recent years was 730,000,000 bu. in 1912, so that the crop of the three years amounts to the enormous total of 2,423,000,000 bu.

Last year's enormous outturn of 763,000,000 bu. has all disappeared with a substantial decrease in the carry over of 19,000,000 bu., indicating that the distribution of wheat for the season,

which included about 140,000,000 bu. for export, was 782,000,000 bu. Adding the difference between the distribution of the past year and the total crop indication of this year of 148,000,000 bu. to the exports of the past year and the export surplus for the coming year may possibly be 275,000,000 to 300,000,000 bu.

Already an enormous amount of wheat has been sold for export, so that the shipments of wheat during the first few months of the crop year are expected to reach record proportions. Scores of full cargo boats have already been taken from various ports, besides which a vast amount of berth room has been chartered, and in expectation of a heavy movement of American wheat not only during the early fall, but during the late fall, as well as a heavy movement of Canadian wheat, there has been a very substantial gain in ocean freight rates, such gain being more than 100 per cent. over the prevailing spot rates during the past month. The enormous amount of wheat sold for export, although at prices 8 to 10 cents a bushel under last year, will mean a material help to the foreign exchange situation, and already it is intimated that the amount of exchange sold will help largely to stop the tide of gold and help to change the tendency of the exchange market. Coupled with the immense movement of wheat, will come the fall movement of cotton, so that the influence of these two great factors will be very great in the money market.

The weather conditions which have prevailed for the harvesting of winter wheat could scarcely be equalled. While there have been some scattered rains the precipitation has been very moderate, and the entire winter wheat crop has been gathered in extremely fine condition. This is a very helpful feature and means much in the bread making qualities of the crop. The crop is in such shape now that practically nothing excepting prolonged rains can affect the outturn. In the northwest there is still some uncertainty to meet. There has been so much rain in the northwest that a change to warm, damp weather might result in injury from black rust, but no serious advices to that affect have been put out. The spring wheat indications are excellent, and with part of the month of July already past the chances for a large spring wheat crop are steadily improving.

The feed stuffs situation is also unusually fine. The Government report shows a corn promise better than the ten year average, oats slightly better than the ten year average, barley substantially better than the ten year average, and hay fractionally under the ten year average. The shortage in the hay is not very material, the loss being only 1.1 per cent. under the average crop, which is more than made up by the gain in the feed grain crops, and also the vast increase in the wheat crop. With the enormous outturn of wheat, it is possible that there will be a material amount of wheat fed this year, the same as the past year, which will add just that much to the feed stuffs supplies.

Taking the country as a whole the situation of the feed stuffs crops is better with the first part of July over than it was July 1, as there have been quite wide extended rains over sections where dry weather was complained of, and the crops have been correspondingly benefited. While it is true that hay and oats in the south, and possibly up to the Ohio Valley region have been materially affected by dry weather, the rains have relieved the situation and pastures have improved in this section, and late crops will be correspondingly benefited.

The minor crops are also in very excellent condition. The total crop outlook, taking all the crops of the country is better than an average, and that not only means much in the returns to the producer but means much in the lowered expenses to the consumer.

Through the south the situation is very encouraging as to cotton east of the Mississippi, and record crops are being claimed for some of the eastern states. West of the Mississippi the conditions are more mixed, and there is considerable uncertainty as to the position of late cotton. The Government report on the crop indicated, however, approximately the same size of crop as last year, and with about half the period past since the last Government report and before the next report there has been nothing in the weather conditions to materially reduce the prospects. Some sections still

complain of lack of rain, but there have been generous showers over wide extended areas, and the prospects are correspondingly improved for an average outturn.

Broadly speaking the crop situation is such this year as to mean large business in handling the crops and increasing requirements on railroad transportation. Already the influence of the crops is being felt in the railroad world, so that the number of idle freight cars is showing a substantial decrease. The enormous wheat crop will mean a tremendous business, and some of the most observant of exporters in the market believe that the sales made already for export will tax the capacity of the railroads for the next two months on winter wheat alone. After that time will come the movement of spring wheat for export, and later in the fall will come the enormous movement of cotton.

With the present prospects for the corn crop it is possible that corn may become an export grain again this season, although the demand for feed stuffs in this country is so substantial that the exports of corn are not likely to be very large. The vast requirements of this country for feed stuffs is almost beyond comprehension. During the past two years the country has not only consumed a total corn supply of 5,570,000,000 bu., besides importing several millions of Argentine corn, but has also consumed 2,540,000,000 bu. of oats, 401,000,000 bu. of barley and two big crops of hay.

The consumption is so enormous that only by steadily increasing crops can the demands be satisfied. The tendency towards diversified farming naturally makes the production of enormous feed stuffs crops more and more difficult. Only by intensive methods and raising more grain to the acre can the demand be satisfied. The relatively high prices for feed stuffs are of course a considerable factor in restricting consumption. With normal prices for feed stuffs the consumption would be vastly increased, and during the past season it is possible that 60,000,000 to 80,000,000 bu. of the total wheat production was used for feeding on account of the relatively high price for corn and the relatively low price for wheat in certain sections of the country. It is probable that this year there will be an important amount of wheat fed, until the markets feel the influence of the new crops of feeding stuffs.

The crop outlook as of mid July is so satisfactory this year that only extraordinary conditions for the last half of the growing season can materially influence the results. Winter wheat is made. Oats, hay and spring wheat are nearly assured, the fruit crops are well advanced, and the outlook is very satisfactory for possibly the second largest corn crop on record. With, however, the uncertainties of the next month, corn cannot be said to be safe, although the outlook is certainly very encouraging. In regard to the cotton crop, there are still two trying months before it, but the conditions have improved steadily since the first of June, and the assurance of at least an average outturn per acre are excellent.

The very size of the crops this year will mean good business for the railroads, and a large amount of money to be distributed to the country, which will make for improved business conditions, despite other complications which may enter in and be disturbing factors. Lower priced feed stuffs mean lower costs for food animals, although the influence of this may not be felt for some time. Nevertheless any decline in the values of corn and other feed stuffs are a stimulus for increasing the number of hogs in the country, and also tend to encourage the raising of increased numbers of cattle and sheep. All such conditions make for better business, larger returns to the country and lower costs for living.

Don't Worry

"War or no war, freight rates or no freight rates, tariff or no tariff, baseball or no baseball, grape juice or champagne, the farmer is still on the job."

The Art of
Interpreting Financial Conditions

By G. C. SELDEN

XIII—Significance of Gold Exports and Imports

EXPORTS and imports of gold are given much more weight in the mind of the ordinary investor than they are properly entitled to. So far as the broad swings of the "minor cycle" are concerned, the gold movement is an effect rather than a cause.

There is a sort of glamour about the word "gold." The investor, who is naturally trying to "make money" for himself, reasons about the country's finances just as he would about his own personal finances. When he reads that $50,000,000 gold has been exported, he feels that the country has lost that much, and that it is therefore injured somewhat as he would be injured if he had lost a large sum of money.

He would reach a much juster viewpoint if he stopped to consider what he would do with say $1,000,000 in gold coin. So long as he kept it in the form of the actual gold metal, and kept it in his own possession, it would be nothing but a nuisance to him. He would be put to the expense of storing, guarding and moving it, and he would receive no interest return on it. He would make all haste to lend his gold to some bank, which could afford to take care of it and pay him interest because it would have a real use for the coin in its reserves.

The same principle applies to the country as a whole. Gold is valuable to us if we have a use for it, but nothing but a source of trouble and expense if we have no use for it—that is, if the supply is greater than is needed for reserves and for commercial purposes. Under such circumstances it is to the advantage of the country to send the gold abroad in case it is needed there, as interest can thus be obtained for the use of it.

A COMPLICATED QUESTION.

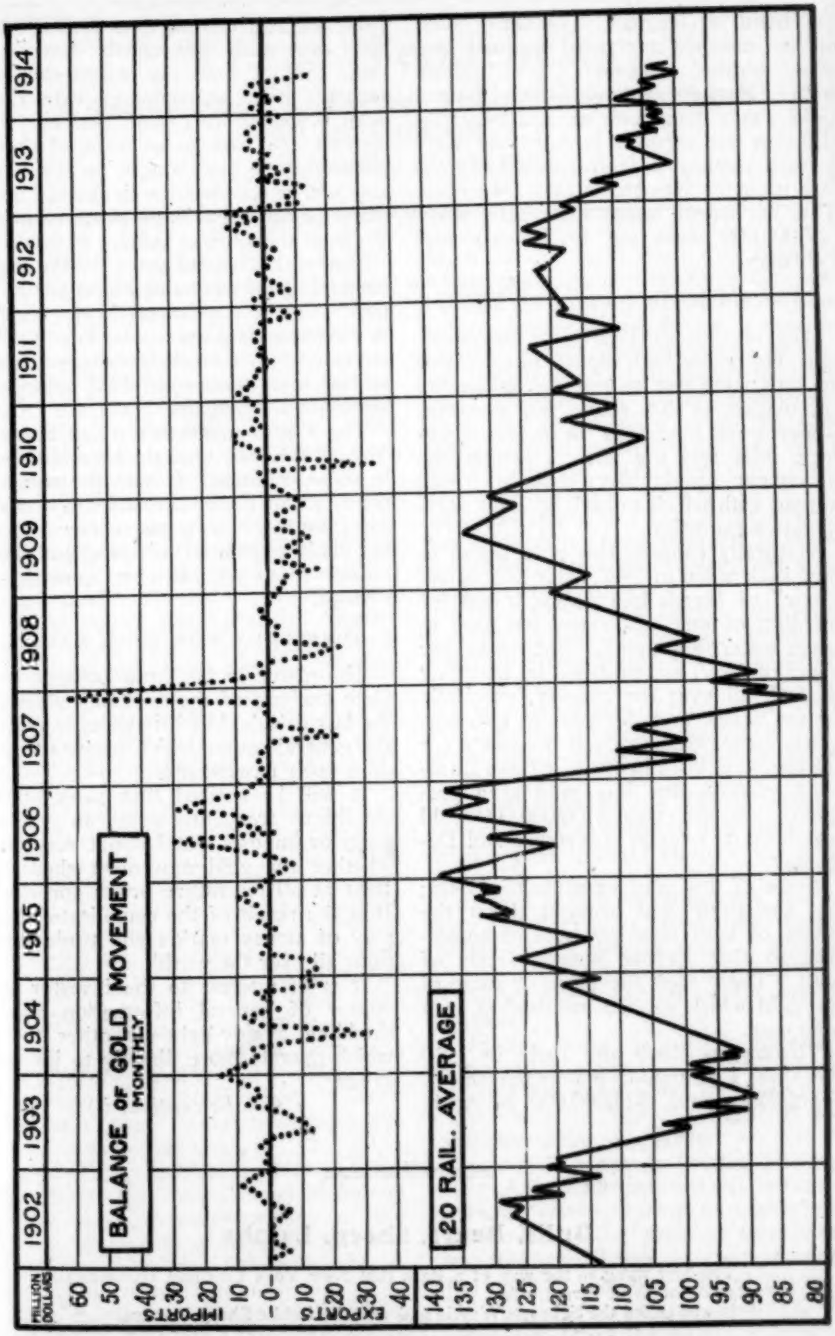
Not only are the movements of gold a result rather than a cause, but they are the result of so many and such exceedingly complicated factors that they can be understood in any particular instance only by a careful study of financial conditions all over the world. The best, and so far as I can see the only way to approach the subject is by examining the gold movements month by month for some years past and noting the most important causes of each one.

The graphic shows the balance of exports and imports of gold month by month, the general movements of the stock market having been added as an index to the broad financial situation.

In 1902 there was no large movement of gold in either direction. In the spring of 1903 there were moderate exports, due chiefly to two causes: First, our merchandise export balance in the fall of 1902 had been unusually small; second, there was a sharp rise in our level of commodity prices in the spring of 1913. Gold did not go abroad instead of merchandise in 1902 because of our high money rate, call money averaging between 9 and 10 per cent. in September and October. But when our call money rate dropped to 2½ per cent. in May, 1903, and when at the same time a rise in our commodity prices tended to check exports of merchandise, gold became the cheapest thing to send abroad to restore the international balance. (For commodity prices see January issue, page 195; for export balances, March, page 368.)

The panic in the fall of 1903, however, had the effect of raising our money rate and also depressing our commodity prices, resulting in a return flow of gold in the latter half of that year.

In the depression of 1904 call money at New York was almost unprecedentedly low, averaging only ⅝ of 1 per cent. in


BALANCE OF GOLD MOVEMENT
MONTHLY
20 RAIL. AVERAGE
MILLION DOLLARS
IMPORTS
EXPORTS
60 50 40 30 20 10 -0- 10 20 30 40
140 135 130 125 120 115 110 105 100 95 90 85 80
1902 1903 1904 1905 1906 1907 1908 1909 1910 1911 1912 1913 1914

the month of August. The banks piled up an immense excess of deposits and large surplus reserves. (See diagram with "Market Outlook," this issue.) Gold was a drug with us, and $42,000,000 of it was exported in April and May, a small amount in August, and $26,000,000 more in November and December. This movement lasted into 1905, when $27,000,000 went out in January and February.

THE BIG MANIPULATION OF 1906.

The imports of 1906 were forced by our abnormally high money rates, which in turn were due to the big millionaire speculation of that year. Stock market prices were forced to an unreasonably high level and the powers behind the movement practically bought gold abroad with which to back up their manipulative campaign.

Naturally enough, this gold began to flow back again in 1907, after the "Silent Panic" of March had demonstrated the inability of our millionaire plungers to make water flow uphill. But the money panic of 1907, accompanied by hoarding of cash all over the country, especially by the banks, and the issue of clearing-house certificates, made it necessary for the big New York banks to go into European markets and buy gold at a premium. In this way $106,000,000 gold was brought over in November and December.

Some of this gold went back in 1908; but the panic had brought down the prices of both securities and commodities, so that Europe bought freely of both. These took the place of most of the gold which we had acquired at such high cost.

Throughout 1909 and early in 1910 there was a continuous export movement, culminating with $34,000,000 in April, 1910, and aggregating over $125,000,000. This movement was chiefly due to the rapid rise of both our commodity and security prices as compared with European prices at the same period. Foreigners sold back to us some of the securities they had bought in 1907 and also sold us merchandise in unusual quantities owing to our high plane of prices. We paid the adverse balance in gold.

During 1911, 1912 and 1913 the movements of gold were small in either direction. Our rising money rate resulted in moderate imports in the fall of 1912, immediately counterbalanced by exports in the first quarter of 1913 when our money rate fell again.

The export movement which began in May, 1914, has recently been discussed in these columns. It was the result of the effort of European banks to accumulate gold reserves, a low money rate and big bank surplus on this side, and heavy resales to us of our own securities by Europe.

CONNECTION WITH STOCK MARKET.

The above is far from being a complete analysis of the gold movements of the last decade, but it is enough to show the general causes which operate to produce such movements.

It will be noticed that stock market conditions frequently result in gold exports or imports, but I doubt very much whether the gold movement sheds any light at all on future prices for stocks. It is the result of the complicated interplay of money market and trade conditions all over the world.

It is of interest to the investor as a matter of general information and as shedding a side-light on other factors which operate more directly to influence prices.

(*To be continued.*)

Bulls, Bears, Sheep, Lambs

The first thing in the way of a Park that New York City had, occupied the exact site of Wall Street today.

It was called the Schaape Waytie and was the Public Sheep Pasture.

The Bulls and Bears have been chasing the Lambs over it ever since.

Trade Tendencies

A Factor More Important Than Present Earnings or Outlook

By RICHARD D WYCKOFF

FIFTEEN years or so ago, the late Charles H. Dow wrote: "The market is always to be considered as having three movements, all going on at the same time. The first is the narrow movement from day to day. The second is the short swing running from two weeks to a month or more. The third is the main swing covering at least four years in its duration."

These three movements are observable today, but by reason of the greatly altered conditions affecting the various stocks, there are additional movements to be considered. These are a development of the listing of new securities, altered trading rules, revised tariff, Supreme Court decisions, new and prospective legislation, and other factors.

Our greatest industry (except agriculture) was formerly and is today railroading. Railroad stocks dominated the market in former years. There were very few industrials. Hence railroad securities were, of necessity, the principal speculative and investment media. They were divided into groups: Grangers, that is, roads whose traffic consisted largely of products of the farm, such as St. Paul, Burlington and Northwestern. Coalers, like Lackawanna, Reading, Susquehanna. Trunk lines, including New York Central, Pennsylvania, Erie and Baltimore & Ohio. The Southwestersn, consisting mostly of the Gould roads, which formerly included Union Pacific. There were also the Transcontinentals, the Southern and other groups.

Great market operations in those days were principally based upon the crop outlook in the various sections of the country, this being considered the most reliable guide to the future course of prices of the respective groups.

With the listing of many industrials, the defining of the Sherman Law, the revision of the tariff, etc., this situation has changed enormously; for while crops are still the basis of business conditions in this country their influence is now, to a great extent, counterbalanced by factors which bear upon industrial, railroad, mining and other enterprises. There are today more industrials than railroad stocks quoted on the New York Stock Exchange. Numerous small roads have been absorbed into a few large systems, this movement having been simultaneous with the formation and listing of many large industrials covering the principal lines of industry.

It has been noted during late years that the average price of a group of standard railroad stocks will frequently move in a direction contrary to the average price of a group of industrials. This is due to the conflicting influences tending to create or destroy values in the respective groups. These altered conditions, affecting in one way or another all the securities listed on the Stock Exchange, have brought matters to a point where we are able to define a fourth movement which is constantly taking place and having its effect upon the net changes in the average price of a group of, say, fifty standard stocks consisting of twenty-five rails and twenty-five industrials.

We may define the fourth movement as THE TRADE TENDENCY; that is, the tendency of the various lines of business toward better or worse conditions than those prevailing at present.

To explain more in detail: The tendency in the Railroad business is toward restricted profits, owing to higher cost and limited selling price of transportation, this price being now governed by the Interstate Commerce Commission.

In the Copper Mining Industry, the tendency is toward greater consumption

and comparatively limited production. This combination of circumstances points to ultimately higher prices for the metal.

In the Steel trade, prices in this country are, since the tariff revision, governed to an extent by prices abroad, so that the trade tendency in this case is toward a smaller margin of profit. A larger output will tend to offset this somewhat. This is true of other industrials.

Coal mining and railroad traffic resulting therefrom will not in the future progress at the same rate as formerly, owing to the competition arising from the use of petroleum, water-power and electricity. Steamships employed both in naval and commercial fields will consume more oil than coal. Railroads will be electrified and water-power or coal burned at the mines will supplant coal burning locomotives. It is also to be expected that the use of electricity will generally spread to the heating of houses and cooking as well as lighting. Cheaper electricity will bring about this evolution. The above factors therefore tend toward a further boom in the oil business and in electrical equipment, while working to suppress the demand for anthracite and bituminous coal.

The Beet Sugar industry is threatened with destruction unless Republicans again gain control of the executive and legislative branches of the Government.

In the Telephone business the tendency is toward Government ownership in this country, notwithstanding the unsatisfactory results of such control in foreign countries. Wireless communication is also looming up as a serious competitor.

The Locomotive and Car Building trades are in a transition state. Electric locomotives are replacing those propelled by steam; steel cars are substituting those of wooden construction. This is a change which does not incline toward the destruction of either kind of enterprise.

Harvester companies operating in this country are meeting with increased competition. The largest factor in this trade is threatened with dissolution, and the tendency is toward a smaller margin of profit. Abroad, however, the International Harvester Corporation is still expanding its business at a rapid rate and this element should counterbalance any ill effects upon those who hold both stocks in this twin corporation.

The Automobile industry shows a distinct tendency toward cheaper cars, larger output, lower cost of construction and lower selling cost. As Henry Ford says, "The business may be likened to a pyramid; the more you lower the price, the more people you can induce to buy an automobile, therefore, the broader the base of your pyramid. Consumption is directly related to cost." The tendency is also toward a larger output by fewer manufacturers. Many of the weaker concerns having gone to the wall, the more popular brands, which have stood the test of time, have profited.

In the Baking industry, we find the National Biscuit Company beginning to lose a considerable fraction of its trade to the Loose-Wiles Company.

The Express business is becoming seriously crippled by the Parcel Post, one company having already withdrawn from the field after sixty years operation. Others, like Wells-Fargo, have reduced their dividend.

The Rubber industry has undergone a change, due to the immense demand which sprang up several years ago, resulting in the cultivation of what is known as plantation rubber, viz.: Trees which were planted four or five years ago and which are now beginning to bear a grade of inferior and lower priced material. Crude rubber which formerly sold at from one dollar to three dollars per pound now ranges at fifty to sixty cents. Notwithstanding the enormous and increasing consumption, the tendency is toward cheaper raw material and a smaller margin of profit.

In the Electrical field, the world is only beginning to find out what can be done with this wonderful force, and the prospects are for enormous expansion in the business of General Electric, Westinghouse and other electrical manufacturing companies. This is also one of the chief factors in the increased demand for copper.

Many of the large industrial combinations which, in the opinion of the Government, have monopolized their field to a greater or less extent, together with certain railroad companies, are being sued for violation of the Sherman Law,

and the tendency (while not a trade tendency) is toward disintegration.

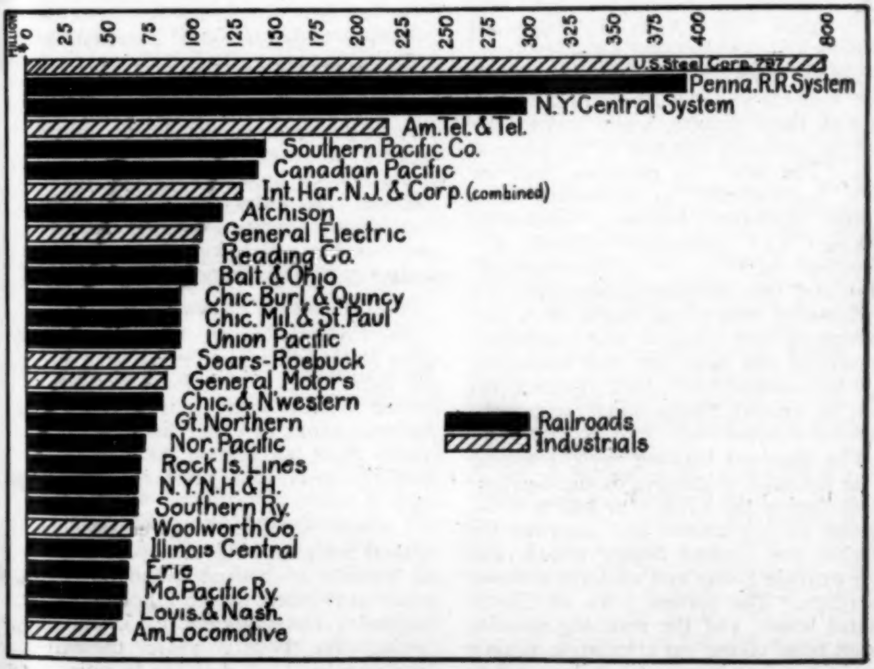
To summarize, there are influences at work which tend to destroy or create values on the Stock Exchange. Destructive forces are at work in the following fields: Railroad, Sugar, Agricultural Implements, Coal, Steel, Express, Rubber and Telephone. Constructive forces are present in comparatively few, viz.: Copper, Motors, Electric Equipment and Petroleum.

Such influences are either building up or tearing down these transportation and commercial structures, that nowadays the battle seems to be resolving into a test of strength between the upbuilding influences of good crops and easy money, and the demoralizing effect of tariff, legislation and changes in business methods.

Present earnings are important; the outlook for the immediate future is more important; but these Trade Tendencies are the most important of all. It may be confidently asserted that changes in the next five years will be such that a vast difference will be shown in the amount of earnings applicable to dividends on many industrial and other common stocks. The investor who wishes to buy, at par, a certain stock which seems likely to sell at 150 within a few years, must now more than ever study the trade tendencies, and as few investors have sufficient leisure to make the necessary investigations for themselves, we propose, whenever possible, to secure reliable data on this important subject and to present it to our readers so that they may be better informed and therefore in a position to act more intelligently in the selection of their securities.

In the financial district *foresight* counts.

Companies with Gross Earnings of over $50,000,000



For Latest Fiscal Year

BOND DEPARTMENT

United States Bonds Under the Federal Reserve Act

By CHANNING RUDD

A great deal of misapprehension exists among those interested in United States Bonds as to their exact position under the new law, and as to the outcome of certain provisions of the statute. Dr. Rudd, himself an investment banker, in his address before the Maryland Bankers' Association, has given a clear exposition that should be carefully read and by those directly interested preserved.—Editor.

THE National Bank Act, otherwise successful during the half century of America's greatest growth and development, proved vitally defective in several important respects. The Federal Reserve Act is designed to correct these defects, while leaving intact the desirable features of the old system. The new Act proposes, and we hope successfully, to introduce four highly desirable features, heretofore lacking: (1) centralized control, (2) mobilized reserves, (3) rediscount facilities, and (4) currency elasticity.

However interesting might be a discussion of the economic and theoretical aspects of the new Act, this discussion will be confined to a practical consideration of United States bonds under the Federal Reserve Act.

The National banking system sprang from financial exigencies of the Government during the Civil War and was designed to (1) extend and improve the market for United States bonds, and (2) provide a safe and uniform national currency. The market price of United States bonds, and the resulting possible profit from taking out circulation against the bonds, has been a much larger factor in increasing and decreasing circulation than have the demands of business.

With over $725,000,000 National bank notes outstanding, and with nearly as many bonds owned by National banks, costing materially above par, the most difficult problem connected with reforming our currency system has been the disposition to be made of (1) present National bank notes, and (2) the United States bonds securing such notes. The new Act does not solve, but merely temporizes with, this important problem.

RETIREMENT UNDER NEW ACT.

The Federal Reserve Act does not require National banks to retire their present bank note circulation, secured by United States bonds, but permits the National banks to either increase or decrease their circulation in accordance with the provisions heretofore prevailing.

The new Act does, however, provide a method for absorbing each year a limited amount of retired circulation, and bonds so released, by the following plan: Beginning December 23, 1915, and continuing for twenty years thereafter, "any member bank desiring to retire the

whole or any part of its circulating notes, may file with the treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired." The Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds, but the total of such purchases shall not exceed $25,000,000 in any one year, this annual maximum also to include bonds otherwise acquired.

It is problematical how much of the existing National bank circulation will remain outstanding under the new Reserve system, for it is possible, although unlikely, for all of the present National bank notes to continue in circulation as heretofore. Liquidation of a bank, or withdrawal from the system, would compel retirement of circulation. Retirement of circulation by a "going" member bank will depend upon one or more of several factors: (1) profit from issuing notes, (2) comparative cost between National bank and Federal reserve notes, (3) ruling rate for money, (4) inability to keep circulation out, (5) price of United States bonds, and (6) miscellaneous considerations, including secondary reserve, "window dressing," advertising, etc.

To these factors must be added the important provision of the new Act which limits the maximum retirement through purchase of bonds by Reserve banks to $25,000,000 per year. Any one of three conditions will operate to reduce this maximum retirement: (1) omission of National banks to ask retirement, (2) failure of Federal Reserve Board to require Reserve banks to purchase bonds, and (3) purchase by Reserve banks of bonds from other sources, thus reducing the amount purchasable from member banks.

Furthermore, even if the total annual maximum of $25,000,000 is retired each year for the full twenty years, it produces a grand total retirement of only $500,000,000, whereas the present outstanding National bank circulation is over $725,000,000, or more than 45 per cent. in excess of the maximum which can be retired under the operation of the Act.

FUTURE MARKET POSITION.

The new Act does not solve the problem of refunding the United States 2s, the provisions in the Act depending for their consummation upon two varying and uncertain factors, (1) willingness of National banks to retire circulation, and (2) willingness of Federal Reserve Board to require Reserve banks to buy bonds. Regardless of action taken under these so-called "refunding" provisions, it is important to consider the possible future market position of United States bonds.

There will be three possible channels of demand (as well as sources of supply) for United States bonds: (1) Reserve banks, (a) purchasing from National banks retiring circulation, and (b) purchasing from other sources, (2) National banks desiring to increase their circulation, and (3) the general public, buying for investment purposes.

The extent to which Reserve banks purchase bonds in the open market will proportionately reduce the amount purchasable from National banks. The supply of bonds in the open market would come from (1) liquidating banks, (2) banks retiring from the system, and (3) from the general public, and pressure for sale of any considerable amount of bonds would seriously affect the market price. As the likelihood of the 2s selling above par is remote, the Reserve banks will undoubtely have many opportunities to purchase bonds in the open market below par. Consequently, it is reasonable to suppose that all of their purchases will be below par, and in the open market, unless the Reserve Board forces them to purchase bonds from the National banks at par. However, if the general market supply of bonds is small, the purchases by Reserve banks, under the refunding provisions, should result in maintaining the price of the 2s close to par.

The new one-year and thirty-year United States 3s, held by the Reserve bank, with the power to sell in any market of the world, may prove a strong competitive factor affecting adversely the market price, not only of the Panama 3s, and any new issues, but of the 2s, 3s, and 4s carrying the circulation privilege.

POSITION OF BANKS.

In considering the position of National banks, as affecting the market of United States bonds, we have, under the new Act, substantially the same situation as under the old law. This means that the banks are practically "dead-locked" with their bonds, the bonds being a slow-moving, almost a dead, asset on their hands. Over 80 per cent. of the entire bonded debt of the United States is held by National banks, on which the banks have sustained heavy losses. It is, therefore, important to consider how the provisions of the new Act will affect these holdings.

The amount of bonds to be absorbed by Reserve banks purchasing from member banks will be substantially offset, from a market standpoint, by the provisions of the Act which permit a new National bank to organize without depositing a specific amount of United States bonds. Heretofore, the demand from this source has been an important factor in maintaining the market price.

The amendment which prohibits banks from counting as part of their legal reserves the 5 per cent. redemption fund deposited in Washington, against outstanding circulation, reduces by a fraction the circulation profit, thus making circulation less attractive and sale of bonds more likely.

A method of reducing the book cost of the 2s would be to use the circulation profit to mark down the cost of the bonds. Based upon 1.30 per cent. circulation profit, this would write the 2s from par to 87 in 10 years, to 74 in 20 years, and to 61 in 30 years; 1 per cent. circulation profit would mean 90 in 10 years, 80 in 20 years, and 70 in 30 years.

In view of present redundant circulation, and the possibility that the Government may issue new bonds, either to replenish Treasury cash, or to finance any Mexican crisis, the present market for United States bonds is unsettled and an immediate advance in market prices is unlikely. There should, however, be a normal demand for bonds when business conditions improve and the demand for money increases.

The advantages of the old 3s and 4s for securing circulation are not sufficiently realized. They become a purchase when lower than a price representing the annual parity profit. This parity is, based upon 97⅜ for the 2s, 5 per cent. money, and a circulation profit of 1.30 per cent., about 100⅞ for the old 3s and about 110⅜ for the 4s. Another reason for possible preference is that the old 3s have a definite maturity date, August, 1918, when they will be paid at par, while the 4s become optional in 1925, five years before the 2s. Also, liquidation or retirement from the system, with resulting sales, would depress the market price of the 2s more than the old 3s and 4s, other factors remaining constant.

While it is unlikely that any demand for United States 2s will increase the normal market price of the bonds above par, it is likely that millions of bonds in the aggregate would be sold by National banks in case there were a stable market for them between 99 and 100. The banks are undoubtedly anxious to sell their bonds at par, but, rather than wait 20 years or even a few years, would be more than glad to make a slight concession in selling price. This is particularly true where the amount of bonds held is comparatively small.

If the Government should sell new 3s, without circulation privilege, at par, the 2s and 4s would likely retain their market position, but would be adversely affected should the new bonds carry more than a 3 per cent. rate.

The probable results of pending legislation were realized last summer when there was considerable weakness in the price of all United States issues. The 2s sold for the first time since their issue in 1900 at less than par, and then declined on the exchange as low as 94½, with private sales of round amounts as low as 94. Following the enactment of definite legislation, however, the bonds advanced in price and now sell around 97. The high price of the 2s was 109⅞, reached in April, 1902.

GOV'M'NTS AS INVESTMENTS.

Around present price levels, United States bonds are not attractive to investors on a purely investment basis. With one exception, the United States has the smallest interest charge of any of the great nations of the world, and its

bonds sell at a higher price than the bonds of any other nation. British consol. 2½s sell at about 74, to yield 3.38%; French 3% rentes at about 85, to yield 3.53%; German Imperial 3s at about 76, to yield 3.95%; while the United States 2s sell at about 97, to yield only 2¼%. Our Panama 3s, without circulation privilege, sell around 101½, a 2.94% basis. The same basis for the 2s, assuming their maturity in 1930, would be 88.07.

In order to provide against sudden contraction of the currency, which would follow if many National banks refused to enter the system, each Reserve bank is authorized to purchase United States bonds and take out circulation similar to the National bank notes, called Reserve bank notes.

The United States bonds with circulation privilege, against which these Reserve bank notes are to be issued, may be purchased by the Reserve banks in two ways: (1) from the National banks, if and as required by the Federal Reserve Board, through the retirement of National bank notes, or (2) in the open market. The total from both sources, however, must not exceed $25,000,000 per year.

SIGNIFICANCE OF CHANGES.

These new Reserve bank notes, designed to "fill the gap" made by the retirement of any National bank notes, will be the obligations of the respective Reserve banks and will be issued and redeemed under the same terms and conditions as the National bank notes now outstanding, except the amount will not be limited to the capital stock of the issuing banks.

In lieu of taking out circulation on any part of its United States 2s, any Reserve bank may exchange such 2s against which no circulation is outstanding, for one-year United States 3 per cent. notes without circulation privilege, not to exceed 50 per cent. of the 2s exchanged, and thirty-year United States 3 per cent. bonds without circulation privilege for the remainder of the 2s tendered for exchange. The 2s surrendered become permane tly canceled. In securing one-year notes, the Reserve bank must agree to purcahse from the United States an equal amount of similar notes at each successive maturity for thirty years. These notes are designed to provide the Reserve banks with a high-grade, short-term, readily marketable asset which can be quickly sold abroad in times of domestic strain, and which can be used locally to make discount rates effective. These new one and thirty-year United States 3s may prove so attractive as materially to hasten the retirement of the consolidated 2s and the National bank notes circulation secured thereby.

What I have thus far said has had reference to the National bank notes, the United States bonds and the proposed Reserve bank notes. The purpose of all provisions in the Act regarding these subjects is (1) to continue for the present the bond-secured circulation, (2) to provide for gradual retirement of that admittedly inelastic currency, and (3) to provide for refunding in part the large amount of United States bonds now held by National banks to secure circulation.

A Psychological Condition

Since January 1, 1913, 57 railroads and industrials discontinued dividend payments altogether, while 20 reduced disbursements. Twelve railroads stopped and two reduced dividends, while 45 industrials passed and 18 reduced dividends.

Practical Talks to Investors

VIII—What Does It Mean to Select a Good Bond?

WHEN such an expression as "good bond" is used not one out of a hundred of the people who use it have any clear-cut idea of what they or any one else means by it.

As a matter of fact, the word "good" is capable of extension to a great degree. That is, it may mean much or it may mean little. When it means much it probably has reference to a bond that has back of it a corporation that is earning a comfortable margin of safety for the bonded debt or possibly a large margin, for all that. It possibly has reference to the fact that the bond has what is supposed to be a bulwark of safety for it, namely, a first mortgage on the entire property of whatsoever kind and a potential lien on all future acquired property.

Or again it may mean that it has a bond easily sold in the market and that it stands at a reasonably high figure, which facts, of course, have some bearing on the facts that the bond has possibly a good mortgage or has possibly a good margin of safety for itself.

From what has been said it will be seen that to say that a bond is a good one means much or little. The expression should not be used in so general or loose a way without some further qualification back of it to show why the security is good.

The trouble with saying that a bond is a good bond is that opinions of people vary so. In the judgment of one bond man, say one who has a critical sense of things, a bond with a comparatively small margin of safety would only be considered fair and not good. He would so say and give his reasons. Yet another bond man altogether alive to the relative values of things might say that same bond is a good one and advise his best friends to buy it. Still again another bond man who is ultra conservative might not say the bond is good unless it met his exalted standards of merit.

Let it be understood, therefore, by the bond buyer that when a bond is "good" it ranges all the way from the degree of safety that is in our United States Government bonds to that of some medium rate railroad or other corporation whose bonds would not come at all in the category of savings bank investments.

The use of the word is largely dependent upon the one whose judgment is making an estimate of the quality of the security.

The danger is that a "good" bond may be too near the edge of respectability. Yet that characterization is accepted as a certificate of worth by many investors. Their friends in the bond business and the investment dealer himself use the word easily and the investor accepting that as meaning possibly more than it is intended to mean takes the bond without further asking of questions.

Oftentimes the use of the word is just another way for the persons questioned to cover up his ignorance of the real worth of the security. It is easy to say "Oh, that is a good bond." It is quite another to add "for the following reasons." Only a comparatively few can give the reasons. They ought at least to amplify their statement by saying that the word is used in its most general sense.

In buying investments generalization is no safe basis on which to risk your money. Have facts and details Let the conclusion that the bond is good come last after the facts are known.

The Southern Railroads

One billion, three hundred and fifty-five million dollars, at least, have been spent in railroad construction and equipment in the south since 1900. A like amount must be spent within the next ten years if the south is to be equipped as it should be with transportation facilities equal to the demand. In the meantime, half a billion dollars will in all probability be spent upon highway improvement, and perhaps a hundred million dollars in making the waterways of the south as useful as possible as a part of the transportation system of that section. The length of southern railroads is now within a few hundred miles of that of all the railroads in the country in 1880. Since that year 67,818 miles of railroad have been built in the south—30,804 of them since 1900.

Paragraphs About Particular Bonds

Comment on Issues That Drew Attention in Recent Trading

Missouri Pacific Convertibles.

IF ever the dye faded out of a fabric this Missouri Pacific case is it. Several years ago the road fell into bad straits. Everybody, including its managers, the Goulds, knew that it was steadily going down. They probably knew best of all, since they knew just how they had deprived the road through bad management of its finances of its rightful appropriations from earnings for its betterment and upbuilding.

Well, then came a few convulsions just such are going on now. The capital obligations of the road were readjusted—for the worse, it has appeared.

Dividends were cut, expenses were cut and new operating management installed. Under this management of Mr. Bush things have improved measurably; but he has labored against overwhelming odds it seems.

Lately the road had a block of notes maturing. It could not raise the money easily. Now its bonds and everything else of its securities are on the toboggan slide. A readjustment of the capital obligations is the rumor.

But to return to the Convertibles out of which the color has washed. When they were issued under the prospect of new and better things many people honestly looked for a day when earnings would improve to the point where the stock would be much better and the convertible feature would mean something. For a time it looked as if things were going that way. Then began the slide.

A good many people who bought these bonds in their early days would be glad to get out of them without a large loss. A good many others almost would be glad if they could convert them into cash at whatever price they could get let alone converting them into stock at a profit.

In the end it may mean that what these bonds were convertible into is something not exactly mentioned in the mortgage.

Western Pacific First 5s.

THE fate of these bonds has been one of the questions in the bond market for a long time. Everybody that knew anything about the situation knew that their position was one of great doubt. Why should it not be? The road itself was built at a tremendous cost.

But this fact also means that there is a great debt to be taken care of, and as it happens this debt happens to be large in first mortgage bonds, although a large amount of second mortgage bonds is held by the Denver, which is its parent company.

Lately the securities of these lines have been steadily declining and there is forshadowed some kind of a readjustment.

When these Western Pacific 1st fours came out they were accompanied with wonderful forecasts of what the road would be able to accomplish. What has it done? Become steadily worse. It is now earning much less than half of its fixed charges and it is unlikely that it will ever be able to do much better than this under the conditions now existing.

The trouble with it is that the road is nothing more than a great long expensive bridge between the Coast and the Denver field. There is not enough business to pay for the long haul over the line and there is little business originated on the line; and there never will be, since it runs through a non-producing territory. It cost so much because it was so built to avoid the heavy mountain grades.

The whole situation looks like some drastic action will be taken with respect to these bonds. Possibly they will be scaled down severely and the second mortgage bonds wiped out entirely. Whatever it is, it will not be pleasant reading for those people who bought these bonds in the nineties, which are now below fifty.

The Bond Buyer's Guide

IN the following table are arranged in order of yield the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price. They are divided into groups, according to the grade and character of the bonds.

This table will appear every other month, and will prove invaluable to bond buyers, as well as to brokers and to all others who are called upon to select or recommend investments. It is presented for purposes of comparison only, and mention of a bond issue is not to be construed as a recommendation. Our object is merely to show the relative yield of different bonds of each of the several classes.

RAILROADS:

(1) High Grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.	Due.		Interest Period.	Price May 15.	Yield.
B. & O., P. L. E. & W. Va. Sys., ref. 4s	N.,	1941	M.—N.	86½	4.91
Wabash, 1st gold 5s	My.,	1939	M.—N.	102¾	4.81
Chesapeake & Ohio, gen. g. 4½s	Mch.,	1992	M.—S.	94⅛	4.79
Southern, 1st cons. g. 5s	Jl.,	1994	J.—J.	105⅛	4.75
Wisconsin Central, 50-yr. 1st gen. 4s	Jl.,	1949	J.—J.	88⅛	4.69
Hocking Valley, 1st cons. g. 4½s	Jl.,	1999	J.—J.	100¼	4.49
Illinois Central, 1st ref. 4s	N.,	1955	M.—N.	92	4.43
Baltimore & Ohio, prior 3½s	Jl.,	1925	J.—J.	92	4.43
Southern Pacific R. R., 1st ref. 4s	Ja.,	1955	J.—J.	92¼	4.41
U. P., Ore. Ry. & Nav., cons. g. 4s	Je.,	1946	J.—D.	93	4.41
U. P., Ore. Short Line, 1st g. 6s	F.,	1922	F.—A.	110¼	4.38
Chic., Mil. & St Paul, gen. 4½s., Ser. C	My.,	1989	J.—J.	102⅝	4.38
Chic., Mil. & Puget Sd., 1st gu. 4s	Ja.,	1949	J.—J.	93⅜	4.37
Chic., Burl. & Quincy, general 4s	Mch.,	1958	M.—S.	93	4.36
So. Pac., Cent. Pac., 1st ref, gu. g. 4s	Ag.,	1949	F.—A.	93¾	4.35
Baltimore & Ohio, gold 4s	Jl.,	1948	A.—O.	94	4.34
Atlantic Coast Line, 1st g. 4s	Jl.,	1952	M.—S.	93⅝	4.34
N. Y. Central & H. R., g. 3½s	Jl.,	1997	J.—J.	82½	4.27
Chic. & N'West, gen. gold 3½s	N.,	1987	M.—N.	83	4.26
Louisville & Nashville, unif. g. 4s	Jl.,	1940	J.—J.	96	4.25
C., B. & Q., Illinois Div., 4s	Jl.,	1949	J.—J.	95½	4.25
Central of N. J., gen. g. 5s	Jl.,	1987	J.—J.	117	4.24
Union Pacific, 1st & ref. 4s	Je.,	2008	M.—S.	94⅞	4.22
Reading Co., gen. g. 4s	Ja.,	1997	J.—J.	95¼	4.21
Northern Pacific, prior l. g. 4s	Ja.,	1997	Qu.—J.	95⅜	4.20
Atch., Top. & S. Fe., gen. g. 4s	O.,	1995	A.—O.	95⅝	4.19
Chic., & N'West., gen. 4s	N.,	1987	M.—N.	96	4.18
Norfolk & West. Ry., 1st cons. g. 4s	O.,	1996	A.—O.	96	4.17
Union Pacific, 1st R. R. & land gr. g. 4s	Jl.,	1947	J.—J.	98¼	4.10
Penna. R. R., cons. g. 4s	My.,	1948	M.—N.	100½	3.97

(2) Collateral trust bonds selling at prices relative to the value of the underlying collateral, and the general credit of the issuing company.

U. P., Ore. Short Line guar. ref. 4s	D.,	1929	J.—D.	91¾	4.76
Mo., Kansas & Texas, 1st g. 4s	Je.,	1990	J.—D.	86⅝	4.64
Sou. Pac. Co. gold 4s (Cent. Pac. coll.)	Ag.,	1949	J.—D.	90	4.58
Lake Shore, coll. g. 3½s	F.,	1998	F.—A.	78	4.52
Gt. Northern, C. B. & Q., coll. tr. 4s	Jl.,	1921	J.—J.	97¼	4.46
Atl. Coast Line, L. & N., coll. g. 4s	O.,	1952	M.—N.	91¾	4.45

(3) Convertible bonds having no mortgage lien, whose quotations are affected considerably by the price changes of the stock into which they are convertible.

Chesapeake & Ohio, conv. 4½s	F.,	1930	F.—A.	77¾	6.72
Erie, 50-yr. conv. 4s. Ser. B	Apl.,	1953	A.—O.	71¼	5.89
Erie, 50-yr. conv. 4s. Ser. A	Apl.,	1953	A.—O.	72¼	5.80
N. Y., N. H. & H., conv. deb. 6s	Ja.,	1948	J.—J.	107¼	5.53
Southern Pac., 20-yr. conv. 4s	Je.,	1929	M.—S.	86	5.37
Baltimore & Ohio, 20-yr. conv. 4½s	Mch.,	1933	M.—S.	91¼	5.23
Union Pac., 20-yr. conv. 4s	Jl.,	1927	J.—J.	91	4.95
So. Pacific, 20-yr. conv. 5s	Je.,	1934	J.—D.	102⅝	4.79
Chic., Mil. & St. Paul, conv. 4½s	Je.,	1932	J.—D.	101⅞	4.35
Norfolk & Western Ry., conv. 4½s	S.,	1938	M.—S.	105½	4.14
Atch., Top. & S. Fe., conv. g. 4s	Je.,	1955	J.—D.	99	4.05
Atch., Top. & S. Fe., conv. 4s. (issue of 1910)	Je.,	1960	J.—D.	99	4.05

(4) Debenture bonds selling on a level commensurate with the general credit of the respective companies.

N. Y. Cen. & Hud. Riv., deb. g. 4s	My.,	1934	M.—N.	89½	4.83
Chic., Mil. & St. Paul, 25-yr. deb. 4s	Jl.,	1934	J.—J.	92	4.62
Lake Shore, deb. g. 4s	S.,	1928	M.—S.	94	4.60
Lake Shore, 25-yr. gold 4s	My.,	1931	M.—N.	93½	4.55

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

Western Maryland, 1st g. 4s	O.,	1952	A.—O.	62½	6.63
Seaboard Air Line, adj. 5s	O.,	1949	F.—A.	77½	6.58
St. L. & S. F., K. C. Ft. S. & M. Ry., ref. g. 4s.	O.,	1936	A.—O.	73½	6.09
St. L. & San. Fran. R. R., ref. g. 4s	Jl.,	1951	J.—J.	70⅛	6.03
Chic., Rock Is. & Pac., ref. g. 4s	Apl.,	1934	A.—O.	77¼	5.96
Southern, devel. & gen. 4s. Ser. A	Apl.,	1956	A.—O.	73	5.70
Denver & Rio Gr., 1st con. g. 4s	Ja.,	1936	J.—J.	79¼	5.69
Chicago Gt. Western, 1st 4s	S.,	1959	M.—S.	74	5.58
Erie, 1st con. gen. lien g. 4s	Ja.,	1996	J.—J.	73⅛	5.50

STEEL BONDS.

Bethlehem Steel, 1st & ref. 5s. guar. A	My.,	1942	M.—N.	86½	6.00
Illinois Steel, deb. 4½s	Apl.,	1940	A.—O.	86¾	5.46
Rep. Iron & Steel, 10-30 yr. 5s. s. f	Apl.,	1940	A.—O.	94¼	5.42
Bethlehem Steel, 1st ext. s. f. 5s	Ja.,	1926	J.—J.	99¼	5.09
National Tube, 1st 5s	My.,	1952	M.—N.	100	5.00
Indiana Steel, 1st 5s	My.,	1952	M.—N.	101¾	4.90
U. S. Steel Corp., s. f. 10-60-yr. 5s. coup	Apl.,	1963	M.—N.	102¾	4.85

TELEGRAPH AND TELEPHONE BONDS.

Pacific Tel. & Tel., 1st 5s	Ja.,	1937	J.—J.	97	5.23
Am. Telep. & Teleg., coll. tr. 4s	Jl.,	1929	J.—J.	89¼	5.03
N. Y. Telephone, 1st gen. s. f. 4½s	N.,	1939	M.—N.	97¾	4.65
Am. Telep. & Teleg., 20-yr. conv. 4½s	Mch.,	1933	M.—S.	98¼	4.64

MISCELLANEOUS INDUSTRIAL BONDS.

Third Avenue adj. inc. 5s	Ja.,	1960	A.—O.	79¼	6.36
Inter. Metrop. coll. 4½s	Apl.,	1956	A.—O.	77½	5.96
The Texas Co., conv. deb. 6s	Ja.,	1931	J.—J.	102	5.81
Am. Smelt., Sec. s. f. 6s	F.,	1926	F.—A.	104½	5.47
Westinghouse E. & M., s. f. 5s	Ja.,	1931	J.—J.	95¾	5.39
Va.-Carolina Chem., 1st 15-yr. 5s	D.,	1923	J.—D.	97½	5.35
Am. Hide & Leather, 1st s. f. g. 6s	S.,	1919	M.—S.	103	5.34
U. S. Rubber, 10-yr. coll. tr. 6s	D.,	1918	J.—D.	102⅝	5.27
Central Leather, 20-yr. g. 5s	Apl.,	1925	A.—O.	99¼	5.09
Inter. Rap. Trans. 1st & ref. 5s	Ja.,	1966	J.—J.	99	5.06
B. R. T. 6-yr. secured notes 5s	Jl.,	1918	J.—J.	100	5.00
Am. Agricul., chemical 1st c. 5s	O.,	1928	A.—O.	100½	4.95
Third Avenue, 1st ref. 4s	Ja.,	1960	J.—J.	83¾	4.87
Lorillard Co. (P.), 5s	Ag.,	1951	F.—A.	102⅜	4.86
Liggett & Myers, tobacco 5s	Ag.,	1951	F.—A.	102½	4.85
Western Electric, 1st 5s	D.,	1922	J.—J.	101¾	4.75

Bond Market Topics

The Gist of What Was Said and Done in the Month

Breaking the Deadlock.

EVERY once in a while the market gets into a rut or a deadlock. That is, bankers will not take on many new bonds for fear that they will not be able to sell them in the near future and investors sit by and wait for something they know not what. At the present time such a deadlock exists.

Probably President Wilson's expression that the trouble is pyschological applies more to the bond market than anything else.

It applies for the reason that many people and especially institutions have plenty of money that is intended for bond investments, but they sit about and wait and wait until they see some one else moving and that some one else is sitting about waiting till he sees some one else.

From the point of view of the safety of investments there is no gainsaying that the present time is just as good as the best of times ever. The margin of safety for many bonds is very large and there is no more likelihood of danger coming to some of the better bonds of all classes than there is of default on the United States bonds.

Yet investors do not buy and the bankers wait impatiently for them to show some signs of moving.

* * *

EARLY in July the bankers, however, started to move something. They started to break the deadlock by pushing out the Northern Pacific $20,000,000 refunding bonds mentioned elsewhere. They certainly brought out the right kind of material to offer as a beginning, and at the right time.

Having tried the market out for various other bonds of lesser standing, they came along with these very high grade securities. From a money market standpoint the time was most auspicious—just before the crops got in their work on the money market—just before everybody was clearing out for the summer and just while money was extremely easy. This is the kind of a time to sell high grade issues. If the issue will prove to have broken the deadlock in buying it will have served a good cause, whether the bankers concerned made little or nothing—which of course is not exactly the case.

Continued Demand for High Grade Bonds.

ONE of the surprising things about the bond market over the past few weeks is the persistent demand for high grade bonds. The bankers have evidently pulsed the situation well since the procession of high grade offers of any magnitude was started by the Northern Pacific refunding bonds.

It was not surprising that for the early months of this "psychological" depression bond buyers should turn to the high grade bonds because that is their habit. So many people buy bonds in a way that no one can begin to appreciate.

One of these is to rush for high grade bonds just as soon as the general market and financial conditions appear bad.

So for the first few months it was accepted as the natural aftermath or condition following the early stages of a depression in business and otherwise. But to have continued until this time in such strength is even surprising the bond men.

* * *

ONE of the reasons there is such a pronounced strong demand for the high grade issues is found in the fact that the banks have been buying this character of security for the past few weeks with steadiness. Low money rates are of course responsible for the increase in these bond investments. A recent statement showed that in the three months ended June 30 last the six banks of New York City having the largest bond investments increased their holdings nearly seventeen millions in the three months' period.

This institutional factor is an element in the bond market that has a most healthful and tonic effect on the business generally. In fact, the good business that the bond houses are now reporting is very largely institutional business. As we have said elsewhere, there is yet more or less of a deadlock to be broken in the field of private investment.

The officers of the big banks are more or less skilled in investment buying so that they know when they have money the proper securities to take up. Individual investors on the other hand are much more affected by what they read in the papers and consequently keep out of the bond market when there is no reason whatsoever for refraining from buying the bonds of merit.

THE SMALL INVESTOR

A Department for his Information and Profit

Comment and Suggestion

By FRANKLIN ESCHER

Formerly Editor of "Investment"

Where the Reinvestment Demand has Centered

NOBODY expected much in the way of a "reinvestment demand" in the bond market this year and so nobody was greatly disappointed. July first came with its dividend and interest disbursements amounting to well over a quarter of a billion dollars, but the proportion of this money that went back into stocks and bonds didn't make any stir—nobody thought it would.. "Reinvestment" time came and went—and about the only visible effect was a further strengthening in the market for "municipals." In that department of the market, at least, there has been better business than in years.

Just recently a syndicate of bankers bid 101.389 for a six million dollar 4 per cent. bond issue of the city of Boston. For the first time in years New York City fours are selling above par. Think of it, bonds being marketed to net less than 4 per cent. Municipals of course—that's the one kind of bond the public will buy. Get out something that you can call a municipal—emphasize in the advertisement the fact that "these bonds are free of the income tax"—and you can put your own price on them and watch them go like the proverbial hot cake. The public has gone crazy over municipal bonds. Like the man who sells automobiles and the man who sells talking-machines, the dealer in municipal bonds is in the highly fortunate position of offering something that people want to buy.

What is responsible for the sudden rise into investment favor of the municipal bond? Principally of course the fact that this class of security is exempt from the income tax. But is that really a sufficient reason? Two bonds equally good, we will say, one a railroad issue and one a municipal, are selling on a 4.50 and a 4.00 basis respectively. That means that the holder of the railroad bond gets $45 a year in interest and the holder of the municipal bond $40. But wait—out of his $45, the railroad bond holder may have to pay a 1 per cent. income tax—all of 45 cents—cutting down his net receipts to $44.55. Now surely that's sufficient reason for passing up the taxable railroad bond and buying the non-taxable municipal that yields $4.55 less income!

Overdone

Furthermore, the sale of municipal bonds is being overdone and a lot if issues are being put on the market at prices not warranted by their actual investment standing. As long as the public looks at the matter as it does now and eagerly buys everything offered, that doesn't make any particular difference; but nobody who is familiar with the way fashions in investment as in everything else come and go, believes that the present vogue of this particular class of bond will be of very great duration. One of these days investors are going to start asking themselves why they have been forsaking the old tried 4½ and 5 per cent. railroad issues and putting their

money into bonds which yield them so very considerably less. The newness of the income tax will have worn off by that time and people will begin to see that it is no such great hardship or income diminisher after all.

When that happens there is bound to be a reversal of sentiment and a reversion of favor to the old-line railroad and industrial issues. But will it be easy for investors to get out of these new municipals they have been so freely buying and to make the change back? That remains to be seen. Many of the municipal bonds now being put on the market are securities of excellent class, but in only the fewest instances do they possess even a fair degree of marketability. In nine cases out of ten it is simply a case of the house of issue being willing to "make a market." If the house that sold the bonds is willing to stand back of them and take them back at a close market, well and good. If not, good as the bonds may be, the man who holds them and who wants to get out of them either for the purpose of raising ready cash or of investing in something else may find it necessary to make a considerable sacrifice in order to do so.

Can the houses of issue be counted upon to "make a market" in the municipal bonds they are putting out? Certainly—as long as this particular class of security continues in favor and the house knows it will have no difficulty in re-disposing of the bonds it takes back off its clients' hands.

But how about it when the inevitable change comes and the demand for municipals goes back to normal? Will it not then be the case that a lot of people who are at present paying extravagant prices for municipals just "fairly good" will find themselves badly "hung up?"

As to Government Ownership

It is a thing impossible to prove, but it certainly looks as though the agitation in favor of public ownership were fast losing its force. Only a few months ago this movement assumed very considerable proportions, a bill for the taking over of the long-distance telephone lines by the Government being actually introduced into the House of Representatives. Then, somehow, public interest in the matter began to fall off. In brokerage-house literature quite a little continued to be said about the fear of coming Government ownership acting as a deterrent influence on investments, but outside of that and an occasional magazine article not much on the subject was said. Government ownership, of course, is still being discussed—it always has been and it always will—but, as we see it at least, public interest in the matter from a stock market standpoint is practically dead.

Two things are responsible. In the first place the depression in business which has made the public sick and tired of Government interference in the conduct of commercial affairs; and, in the second place, the fact that a Commission, appointed to make a valuation of the country's railroads, is now engaged in spending $10,000,000 and five years of valuable time in doing the job.

Of the first of these two reasons little need be said—everyone at all in touch with the way the public at large feels about things knows perfectly well that the moment anything is proposed these days calling for an extension of the Government's influence on business, heads are shaken and the opinion is expressed generally that what business needs is to be left alone. And as to the appointment of the Commission to make a valuation of the railroads, it is equally plain that there, too, it is the sense of the country's business interests that enough for the time being has been done. Ask any business man what he thinks of the proposition of Government ownership of railroads. Even though he has leanings in that direction, the chances are that he'll tell you that the work of valuation is now in progress and that until that's completed there's little use in going any further.

Another Railroad Receivership

Struggling along only one jump ahead of the sheriff for some time past, the Cincinnati, Hamilton & Dayton has again fallen by the wayside and landed in receivers' hands. It's a big property, the C. H. & D., and the receivership won't do anybody any good, but principally

the harm will come from its reactive effect on Baltimore & Ohio. The B. & O. owns a big interest in the C. H. & D., an interest which has cost it a lot of money. According to all indications it will cost it a lot more before the matter is finally settled up.

The story of how the B. & O. was saddled by its bankers with this chronic invalid among railroads and how later efforts to shift the burden onto the Erie were blocked by the late Mr. Harriman is too old to stand repetition. What is important about the matter is that it is another good illustration of the possibilities of "banker-management"—of a railroad run from Wall street instead of from on the job. Fortunately for the B. & O. the days when it had "bankers" who could sell it anything they didn't happen to want themselves, are over.

Creditor or Partner

When a man buys the bonds of a corporation he is lending that corporation money. Very elementary, it is true, but something which seems to be overlooked pretty frequently these days. A company breaks down under the weight of overcapitalization or for some other reason, and a group of beneficent gentlemen step in and announce that a reorganization is necessary. In due time a "plan" is announced. And very likely it is provided in this "plan" that the bondholders are to accept stock in place of at least a good proportion of the bonds they hold. If you refuse, the committee tells the bondholders, you will simply be throwing away the one chance you have, and your bonds won't be worth anything anyway.

Now this is all wrong and a very great perversion of the function of bonds as an investment for a man's money. When a man buys stock he becomes a partner in a sense and takes his chances as to the success or failure of the enterprise. But when he buys bonds—that is to say, lends his money to the corporation—he doesn't do that. He doesn't figure that he is taking any chance or throwing in his lot with that of the company. All he is doing is to lend the company money on the distinct idea that the company is to pay him interest on it and that even if the company doesn't get along well he will have no trouble in getting back his money.

So that when, financial difficulties threatening a corporation, some committee comes along and calmly offers to let the creditors become shareholders and tells them that if they don't do it they'll lose their money anyway, if the creditors protest and "put up a howl" it's the most natural thing in the world. If the business had prospered, the bondholders would have gotten no more out of the profits than the stipulated four or five per cent. annual interest. Why then, when things go the other way, should they be made to give up their claims and to become dependent upon whether or not the business can be pulled through?

Too little appreciation of the sacredness of the obligation on the part of the borrower toward the lender—of the corporation's duty to the people who have lent it money by buying its bonds—that is the root of the trouble.

Proved

One of the strongest arguments in favor of public utility securities is that the earnings of companies of this sort are less affected by a falling off in general business than are those of industrial corporations—that people use just about as much gas and electricity and ride in the street cars just about as much whether times are good or bad.

How true this is has again been shown by the making up of dividend-records covering the past 18 months and coming down to the beginning of the current month. During that time, excluding railroads, forty-four corporations have passed their dividends out and out and many others have made severe cuts in rates. Yet, of these 44 companies, only four were public utilities and of these four two are located in Mexico, where financial conditions are tremendously upset. Quite a record when you think of it—44 companies passing dividends during the past year-and-a-half and, of this whole number only four public utilities.

Furthermore, since January 1, dividends have been increased by thirteen public utility companies and eight other such companies have declared initial pay-

ments on their common or preferred stocks. By these increases and initial dividends over a hundred million dollars of stock has been affected.

Considering the times and the difficulty most companies have been having in making both ends meet, this showing on the part of the public utilities can be regarded as nothing less than remarkable. It seems fully to justify, in the first place, the statement that from regulation by State Commissions the public utility companies have nothing to fear. It seems to prove, secondly, that in the claim that by buying public utility securities the investor can largely avoid the risks of business depression there is a good deal of truth.

Anti-Trust Suits

Their Present Status*

American Can Company.

SUIT was filed in the District Court in Baltimore, November 30, 1913. The government alleges restraint of trade and an attempt at monopoly. Testimony is now being taken. It has been rumored from time to time that the suit would be settled out of court, but this does not appear to be likely. A decision will not be handed down for some time.

American Sugar Refining Co.—Suit was brought in 1910 by the Government, which alleged that the company is a conspiracy in restraint of trade. Twenty-nine controlled and allied corporations were named as defendants. Hearings in the suit were concluded on February 28, 1913, and resumed on January 29 of this year. It probably will be many months before a decision is handed down.

Corn Products Refining Co.—The suit against this company was filed in the Southern District of New York under the anti-trust law. An effort to settle the case out of court failed, and hearings will be begun shortly.

Delaware, Lackawanna & Western.—Suit was brought in New Jersey in February, 1913, charging that the D., L. & W. and the Lackawanna Coal Company are virtually one, and that the railroad has an interest in the coal transported, in violation of the Commodity clause of the Hepburn Act. The case has been heard, and is awaiting decision.

Eastman Kodak Company.—In June, 1913, a suit was filed against this company by the Department of Justice. It was alleged that the defendant is a monopoly in restraint of trade. Hearings in the suit were begun in the U. S. District Court in Buffalo on April 27, 1914.

International Harvester.—Suit against this company was filed in the District Court in St. Paul on April 30, 1912. It was alleged that the company is a monopoly in restraint of trade. Testimony was taken by an examiner and the case has been argued. A decision may be announced at any time.

Lehigh Valley.—In March, 1914, suit was instituted against this company and the Lehigh Valley Coal Sales Company under the Sherman anti-trust law. A combination and conspiracy to restrain interstate and foreign trade in anthracite coal was alleged. It was charged by the government that neither the coal mining company nor the coal selling company is a bona fide independent corporation. Hearings in this suit have not yet begun.

New York, New Haven & Hartford R. R.—Suit will be begun in Boston by Sherman L. Whipple, an attorney, to recover $125,000,000 for stockholders. This suit will be brought against directors. It is alleged that the N. Y., N. H. & H. stockholders have been "robbed" of this amount by the management.

There is a possibility that a suit will be brought by the attorney general along the lines suggested by the Interstate Commerce Commission in its report to the Senate, filed on Monday of this week.

Southern Pacific.—On February 1, 1914, the government filed suit at Salt Lake City. The purpose is to compel the Southern Pacific to give up control of the Central Pacific. It is alleged that the two lines are competitive under the meaning of the Sherman anti-trust law. The case has not yet been argued.

United Shoe Machinery Co.—A government suit alleging that the company is a conspiracy in restraint of trade has been heard and a decision is being awaited.

U. S. Steel Corporation.—On October 26, 1911, suit to dissolve the company was filed at Trenton, N. J. The taking of testimony was completed in March of this year. Arguments probably will not begin before the end of September next.

*Thompson, Towle & Co. compilation.

The Small Investor

His Hardest Problem

Placing His Confidence

By T. B. LYON

SUPERFICIAL observers maintain that the United States stands at the bottom of the list of thrifty nations because the United States is a nation of spenders, and not savers. This could hardly be called a well thought out explanation, as it is no explanation at all, but merely a reiteration of the original statement.

The underlying and fundamental cause of this regrettable condition is plainly a lack of investment education. It is quite true that practically everyone is familiar with savings banks and their important functions, but a knowledge of these institutions does not by any means produce a nation of savers.

Judging from the condition prevailing in other nations we are forced to confess that knowledge of investments must be obtained in the United States by the people of moderate means before the United States can be ranked with the more thrifty European countries.

Practically all of these countries realize the importance of the small investor and have placed suitable securities within their reach.

Now in discussing securities, the question generally arises—"Shall I buy bonds or stocks?" The answer is not obvious, yet extremely simple when a fair idea is obtained of the vast difference between bonds and stocks.

All new investors, especially small investors, wish before anything else safety of principal and interest. They do not feel themselves capable, nor are they, of judging the present and future earning power of a corporation, and the safety of principal and of interest of a stock is absolutely dependent upon this earning power. In other words, if a corporation is both well managed and prosperous, the stockholders share in its prosperity.

A mortgage bond is secured by tangible property whose cost is usually two or three times greater than the value of the entire bond issue. Whether the corporation is prosperous or not, the safety of the bond's principal is assured, because it is a mortgage on actual property which is greater in value than the principal of the bond.

The interest and dividend of a bond, and stock, respectively, compare in the same way as the principal invested in each. When a bond is first issued the corporation decides what interest the bond shall pay during the whole life of the bond. This rate of interest is decided definitely once and for all, and it does not fluctuate or change.

The dividends which stockholders receive are voted upon by the directors of the corporation, in the majority of cases, about four times a year. If these directors think that the current business warrants a distribution of profits the stockholders receive their dividends. If expenses have been heavy and business bad, the stockholders have to suffer by having their dividends reduced or passed entirely. The dividend is not definitely decided and fluctuates constantly.

Stocks are the last obligation of a corporation. Bonds are the first.

If the investor wants to take a chance and see if he can pick a winner among the stocks, and he is willing to wait five, ten or twenty years, he may by that time have averaged over 6 per cent. per annum on his money, but he will also have spent about 25 per cent. in worry and anxiety.

If he is inexperienced and does not wish to live in a constant state of fear of the outcome, he can be on the safe side and buy standard mortgage bonds.

As experience is the wisest teacher, naturally the shortest road to obviate this national unthriftiness would be to have everyone purchase a bond. Aside from

the absurd impossibility of such an idea, how would each individual know what bond to buy, and where to buy it?

So we have completed the circle and have arrived again at the starting point —the lack of investment education.

Bonds have been purposely spoken of in connection with this study of investments, for it may easily be seen that the experience of the small investor who was a novice would be far less costly if he confined his first investments to standard mortgage bonds rather than stocks.

It would require much more studying and knowledge of underlying conditions to select almost any stock than it would to choose a standard mortgage bond. For this reason we will assume that the small investor should devote his attention and obtain his experience from the purchase of bonds.

As there are numerous national advertisers of standard bonds, the question is in whom shall the small investor place his confidence? This seems to be the hardest problem and the keynote to this lack of investment knowledge.

There can be no question that thousands of individuals are anxious and sincere in their desire to invest their savings in safe, sound bonds. Ten years ago it was exceedingly difficult for a man with as small a sum as $100 to try and place his trust in any bond dealer—not that there were no trustworthy bond dealers —but they did not wish to bother with such small amounts.

During the past five years several banking firms have made a specialty of offering sound first mortgage bonds in $100 denomination and have gone so far as to try and gain the confidence of the small investor by accepting as low as $5 as a first payment on a $100 bond. They allow small investors to make complete payment any time within one year and furthermore credit interest on their payments.

Because for many generations persons with small means were endowed with inborn skepticism, it has been a very hard matter for them to eliminate this feeling of doubt and place their implicit confidence in banking houses who heretofore ignored their small savings.

First of all, after a bond house has been selected, the prospective investor should thoroughly convince himself that it is reliable and responsible, and this may be done by having a bank investigate them or by writing to a bank direct in the same city as the bond house.

After the investor has been informed that the bond house is managed by responsible people he can rest assured that their statements regarding bonds are likewise responsible. At this point the investor must trust absolutely in their judgment and consider seriously their recommendations. He will find that the reliable bond houses will be exceedingly careful in their recommendations, as their good name is at stake. Remember, they are trying to establish a feeling of trust and confidence in him.

If they do or say anything which does not seem exactly conservative do not immediately condemn them; bring the point to their attention, as no one is infallible and mistakes are liable to happen any time. The following is an occurrence which was brought to the writer's attention:

A client of a bond house wrote in, stating he wished to sell a bond at the price quoted in some of the bond houses' literature. The manager replied that he would pay him that price, but in the letter stated a lower figure. The client was considerably put out and talked about being "fleeced" and condemned the bond house at once. The error, for it was an error, a stenographic one, was quickly rectified and the client was pacified.

Responsible and conservative bond houses sell responsible and conservative bonds, and their statements are to be relied upon. These facts are being quickly realized by the people of moderate means who have tried to acquire investment knowledge by practical experience.

The American people's greatest investment education has been derived from "get-rich-quick" swindlers who sell stock at a few cents a share. This education has retarded their progress. Reliable firms are now offering standard $100 bonds for safe investment. Be sure the firm is *reliable* in every sense of the word. The selection of the bond is a secondary consideration, as the bond house will gladly place its vast experience and many years of study at the disposal of the investor.

Investment Literature of Interest

Available for distribution to investors on request

CIRCULARS

Chicago, Rock Island & Pacific Ry. Co. Debenture 5's as an Investment. A discussion of the investment position of these bonds and the advisability of purchasing them at low prices. Thompson, Towle & Co., 14 Wall St., New York.

Bonds Talks, being a series of numbered plain talks to investors touching on some of the vital points regarding investments. Among them are such as the "Folly of Registration," "The Position of Utility Bondholders," "Short vs. Long Time Investments" and "The Investment Banker." Filled with investment wisdom. Educational in character. P. W. Brooks & Co., 115 Broadway, New York.

Bonds; Reasons for Buying Them Now; Bonds as a Business Reserve. A special circular discussing these important matters along with other aspects of the question of investment several weeks ago, but applying largely to the present time. H. P. Taylor & Co., Pittsburgh, Pa.

Selling Non-Dividend Stocks and Reinvesting in Mortgage Bonds. A broad view of the advisability of taking such action showing what the holding of such stock means in the matter of income loss and the taking up of certain substantial mortgage bonds in their place. A. B. Leach & Co., 149 Broadway, New York.

Trading Possibilities. A number of helpful suggestions as to how present holdings may be made to be more profitable by exchanging them for other bonds. The idea sought being to increase income, strengthen security, further limit possibilities of loss and to eliminate worry. A. B. Leach & Co., New York.

Comparison of Public Utility Securities with Those of Railroad and Industrial Companies. An illuminating treatment of the subject with many comparisons of earning power and earning recuperation after dull periods. Relative amount of income is given attention and the degree of stability behind the principal when invested in one of these forms of security. Some charts are added. William P. Bonbright & Co., 14 Wall St., New York.

Big Praise for Small Bonds

The small denomination bond "movement," as it is called, has gained surprising headway during the past year. It has, indeed, become a very important phase of the investment market in this country. . . . For a long time not only were corporation managers averse to increasing the supply of such investments, but bankers refrained from encouraging among their clients a demand for what supply there was.

Their excuse was that it cost too much to attend to the details of their issuance and distribution—so much more than to handle bonds of the 1,000 unit. That is still the attitude of many officers and bankers, but it is rapidly coming to be the exception rather than the rule.

The supply of bonds in units of $100 is steadily increasing to meet the growing demand for them, a large part of which, it is gratifying to know from personal testimony, represents savings of the kind which a few years ago was such a tremendous source of revenue to vendors of low denomination shares of doubtful character.—*"World's Work."*

Municipal Ownership of Public Utilities

Some Pertinent Facts About This Great Investment Field

By ARTHUR WILLIAMS*

THE average non-property owning citizen seems to entertain the conviction that his enjoyment of the various activities of the municipality in which he lives are paid for, largely, if not entirely, by others. No bill is ever presented to him for municipal expenditure, and only by a difficult mental process can he realize that, after all, somewhere hidden in his food, clothing, rent and other expenditures he is really paying for them.

Widespread opinion exists, or can be easily created, that things done under the direction of public officials are cheaper and better than if done by private individuals. Yet as a matter of fact there are probably few enterprises conducted by public officials from which the service could not be obtained more cheaply and efficiently under the methods prevailing in a properly conducted private corporation. That there are many departments of municipal service which should be administered by direct representatives of the people is freely admitted. In each instance, however, reasons, sentimental if not economic, can be found justifying the acceptance of this view, which do not apply to those conveniences or facilities falling within the public utility group.

TWO GROUPS OF PUBLIC UTILITIES.

Public facilities may be divided into two groups. In the first are those activities which are admittedly general in their scope, the conduct of the police and fire departments; public school administration; sewers, street cleaning, etc. These services bear so immediate a relation to the individual, as well as the general welfare that, in the interest of all, they should be conducted by the public itself.

*An abstract by Mr. Williams of his address before the Finance Forum, Y. M. C. A., New York.

Within the second group, where the element of necessity to general as well as individual welfare is less marked, we find those utilities in which skillful conduct requires long and continuous study and a very high degree of technical and managerial ability. Here will be found such utilities as the telephone, gas and electric service and the transportation of passengers and freight by steam and electric railroads. This second group constitutes a character of service which is utilized by but a percentage of the citizenship; if publicly operated, the cost falls upon users and non-users alike.

Experience has shown that when the utilities of the second group are operated by the Government the result, almost universally, is the exercise of a most undesirable and even dangerous form of political control and financial and service failure. Civil service throttles personal initiative. The elimination of a personal interest and incentive takes away the most potent of all stimulüs in rendering creative and progressive service.

In other than most exceptional instances men cannot be found properly to administer the conduct of this group through the accidental character of selection which prevails in the public service of the country. When such men are found they receive usually an inadequate compensation, little or at best a fleeting public recognition and, upon the first swing of the political pendulum, they are turned out for others who take their places.

Political pressure brought to bear by large bodies of employees has enormous influence upon those charged with the responsibilities of government.

Quoting from a recent editorial of the New York *World,* a paper which cannot be said to favor the private corporations or to be antagonistic to any of the best interests of labor. Under a head-

ing entitled "Our Despots of Democracy," the *World* said:

"Nominally the Civil Service employees of New York are public servants. In reality they are public masters.

"The Mayor's police bills are on the edge of defeat not because of Tammany's hostility or because of the indifference of the Republican machine. These are obstacles that could be overcome. It is the cohesive power of the Civil Service organizations which has cowed the Legislature.

". . . . . No corporation would dare take the aggressive stand against public regulation that these Civil Service employees take. . . . It is practically impossible to bring them to account. They do their work as they please; they cannot be voted out of office. Attempts to remove them are frustrated in the courts. Legislatures are afraid of their organized and united political strength, and New York meekly submits to be ruled by them while it pays the bills."

PUBLICLY OPERATED RAILROADS.

This country happily possesses but few glaring examples of inefficient public utility management. However, we are not wholly inexperienced. The State of North Carolina operated a railroad for nearly half a century. During this time the service was restricted and unsatisfactory and dividends were never earned. The first year of private operation found roadbed and equipment improved to a condition never before approached and with facilities for passengers and freight nearly doubled.

TEXAS.

The experience of Texas with her State owned railroad has been equally costly and unsatisfactory, and the railway will pass to private operation as soon as a buyer can be found. The road has never earned its operating expenses. Between January, 1911, and August, 1913, the State lost more than $80,000, according to the Governor's special message to last year's Legislature.

PANAMA.

It would seem that the Panama Railroad, conducted under as ideal conditions as can ever be expected for public operation of any utility, would offer an excellent example of efficiency. Yet the official reports show that the operating cost has been nearly seven times higher than the corresponding cost of other roads privately conducted.

CANADA.

The Canadian Government examining the National Trans-Continental Railway found that more than $40,000,000 had been thrown away. The original cost estimate for about 1,300 miles was $61,416,000. More than $109,000,000 have been spent, and the Engineer-in-Chief estimates that, exclusive of interest, the eventual cost will be $161,300,000. The investigating committee found that large sums were unduly made in sub-letting and that the tenders restricted the bidding to a favored few—eleven firms "making" about $9,000,000 without doing a stroke of work.

EXAMPLES IN OTHER COUNTRIES.

For examples of public railway operation on a large scale we must turn to other countries. Deficits are steadily increasing in the operation of the French State railroads. That of 1909 was $7,500,000; of 1910, $11,200,000; of 1911, $13,300,000; of 1912, $14,600,000, and in 1913 it amounted to $16,600,000. In the operation of 5,500 miles of road the total for five years was $63,000,000. Accidents have been frequent, time-tables are ignored, and the operating officials and employees regard the traveling public with extreme indifference.

THE GERMAN RAILROADS.

German railway service is superior to that of France, but is inferior to that of the average railroad service in this country. The relative passenger and freight rates are higher.

If Germany, with its advanced and highly developed public service can offer in the conduct of its railroads no substantial advantages over private ownership and management, it would be difficult to find justification anywhere.

PUBLICLY OPERATED TELEPHONES.

Every European traveler is familiar with the inconvenience and utter inadequacy of the telephone service in every country of Europe where it is publicly owned and operated.

(*To be continued.*)

Public Utility Earnings

Earnings, Dividends and Market Course of Three Classes of Stocks Compared

Railroads and industrials listed N. Y. Stock Exchange. Figures for yr. ended June 30, 1913.

PREFERRED STOCKS.

Cos.	Preferred stock.	Earnings for dividends.	Per cent. earned on stock.	Per cent. paid on stock.
20 railroads......	$988,514,838	$205,914,374	20.83	4.50
21 industrials.....	842,529,916	141,573,694	16.80	6.36
19 public utilities.	149,469,005	20,430,734	13.67	5.08

Cos.	Amt. paid in dividends.	Aver. price stock in yr.	Aver. yield.	Aver. loss market val.
20 railroads.......	$44,953,397	88¾	5.07	18⅞
21 industrials......	53,619,389	94⅞	6.70	23⅛
19 public utilities..	7,602,375	83⅞	6.02	15¼

COMMON STOCKS.

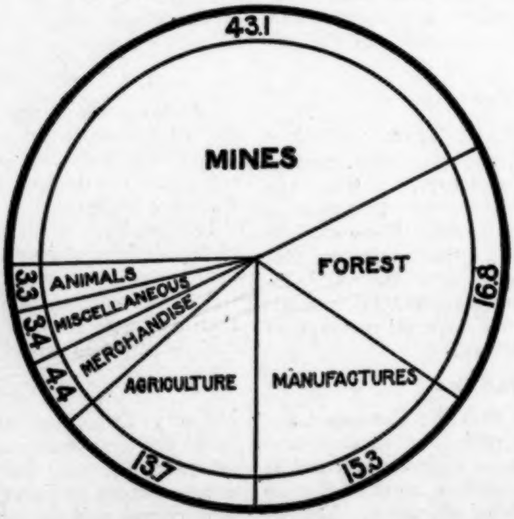
Cos.	Common stock.	Earnings for dividends.	Per cent. earned on stock.	Per cent. paid on stock.
25 railroads.......	$3,377,395,719	$274,641,576	8.13	5.65
26 industrials......	1,891,947,860	120,563,232	6.37	4.47
21 public utilities.	305,540,790	26,476,028	8.66	4.96

Cos.	Amt. paid in dividends.	Av. price stk. in yr.	Aver. yield.	Aver. mkt. loss.	P. C. surp.
25 railroads......	$190,956,136	103	5.53	27½	2.56
26 industrials	84,604,559	72½	6.17	37⅝	1.79
21 public utilities.	15,169,853	81¾	6.07	25⅞	3.35

Steam railroads have a much smaller proportion of capital as preferred **stocks than** industrials or utilities.

Where the Railroads Get Their Traffic

Percentages derived from the various sources.



All Roads of the United States

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Railroad Stocks and Crops

A Study of Their Relation

By VICTOR GRANVILLE

EVERYONE is aware that good crops, broadly speaking, means satisfactory railroad earnings, but few have taken the trouble to find out just how and why this is true. The question at the present time is a practical one, because investors in stocks and junior bonds during the next three months should be guided largely by the crop outlook. That is to say, the condition of business in the United States for the year ending about September 1, 1915, will be determined more by the size of the present crops than by any other single factor; and all junior securities should be bought or sold from time to time in accordance with current changes in business conditions.

In order to take advantage of the price changes of the coming year, one needs to know not only whether the crops as a whole are going to be large or small, but also what particular properties are to be most benefited by each of the most important crops. If, for example, winter wheat is to show a bumper yield and cotton a poor yield—provided other things be equal—the best investment is to buy the stocks and junior bonds of the roads most benefited by winter wheat, and not increase one's holdings of those depending upon cotton. Moreover, the time to make these changes is the present, for by the end of the year share prices will have adjusted themselves to the new business conditions which will have been established by the crops and other factors.

Mere mention of the effect of crops upon railroad earnings leads most people to think at once of the tonnage of agricultural products handled by the railroads, but this is a matter of small consequence. To understand the subject at all, one must firmly grasp the idea that the important question is not how much corn, wheat or cotton a railroad handles, but rather how much prosperity the farmer obtains through his output of corn, wheat or cotton, and how much additional business he is thereby enabled to give to the railroads. When he is prosperous he buys more heavily of all sorts of farm implements, building materials, and manufactured goods—practically all of which are transported by rail.

How great is the general misunderstanding is indicated by the following quotations from a reply of President Ripley of the Atchison to a financial circular pointing out the importance of corn to that road: "As to corn you do lay great stress upon the effect of its yield on our earnings. As a matter of fact in 1913 corn was only 2.3 per cent. of our total tons handled, only 1.89 per cent. of our total tons miles and only 1.68 per cent. of our freight revenue." Naturally a practical railroad man has the same aversion to the consideration of influences which affect tonnage only indirectly that any

practical man has to the discussion of economic principles.

These practical men count their business in tons of freight and dollars of gross receipts; but the investor cannot afford to ignore the economic factors which produce both the tons and the dollars. In considering these factors, he may have to think in abstract principles rather than in terms of tons and dollars, but his reward will be that looking through these principles he will see much farther into the future than is possible to the man who looks only at tons and dollars.

To the great corn road, Atchison, the important point is the large amount of freight and passenger traffic which occurs in good corn years as a result of the prosperity created by the large corn crop. In the year 1912, for example, the states of Kansas, Texas and Oklahoma, according to the Agricultural Department, produced $209,672,000 worth of corn. These three states then had a population of about 7,650,000, and therefore the corn crop was worth $27.40 per capita. Practically the entire population in this section is rural, and according to the census figures, the average per family net income of our agricultural classes is approximately $428 net. There are about five persons per family and therefore the above corn crop had a gross value of about $137 per family.

In other words, the corn crop of these three states was equivalent to 32 per cent. of the entire net earnings of the people, or to about 15 per cent. of their gross receipts. By net earnings is meant income available for paying personal and living expenses, and by gross receipts is of course meant total income before the deduction of business expenses. It therefore remains true that the prosperity of the Atchison for the fiscal year ending June 30 is largely influenced by the size and value of the corn crop of the previous calendar year.

If anyone wants to know why Atchison earnings are now so far behind last year may it suffice to say that the aggregate values per acre of twelve leading crops combined last year were only $7 in Kansas against $10.60 the previous year; $18.52 against $19.50 in Texas; and $10.06 in Oklahoma against $11.34 the previous year. Much of this loss was caused by the poor corn crop.

In the case of the Southern Railway, which is the road most affected by the cotton crop, this point that the crop makes or unmakes prosperity, while the latter makes or unmakes railroad tonnage, may be seen very clearly. For the purpose of showing it we here give in parallel columns the gross receipts of the Southern Railway for the years ended June 30 (1914 being partly estimated), and the gross value of the cotton crop of the United States for the calendar year ending the previous December 31.

Year.	So. Rail Gross earnings. Year June 30.	Cotton crop, year, previous December 31.
1899	$25,353,686	$314,263,600
1900	31,200,870	323,758,200
1901	34,660,482	411,950,000
1902	37,712,248	359,525,000
1903	42,354,060	421,687,900
1904	45,109,777	576,499,800
1905	48,145,108	561,100,400
1906	53,641,439	556,833,800
1907	56,657,994	640,311,500
1908	52,941,717	613,630,000
1909	52,188,107	588,810,000
1910	57,294,508	688,350,000
1911	60,345,063	820,320,000
1912	63,590,328	732,420,000
1913	68,529,490	781,806,000
1914	69,817,800	797,841,000

The figures show that in 1902, 1905, 1906 and 1912 the earnings of the Southern Railway failed to show the same change as did the value of the cotton crop. It is striking that in eleven out of fifteen instances the gross business of this company increased when the cotton crop increased, or else decreased in like parallel. The absolute amount of cotton entering into the freight traffic of the road is utterly insignificant as compared with the total effect of the crop upon earnings. In 1913 out of a total freight traffic of 29,449,589 tons only 607,325 tons were cotton.

The road's traffic in miscellaneous goods and manufactured products has no direct relation whatever to the size of the cotton crop; but at the same time the prosperity produced in that section by a large cotton crop almost invariably results in a huge increase in this particular kind of traffic. It does so simply because the greater prosperity means larger consumption of these goods. The big crops

of 1902, 1909 and 1912 brought about huge increases in general merchandise traffic during the fiscal years 1904, 1910 and 1913. At the present writing unfortunately the cotton crop outlook in this territory is far from satisfactory; but good weather during the balance of the season might still result in a large yield.

It has already been noted in passing that Atchison is the great corn road, and that the Southern Railway is more affected than any other by the size of the cotton crop. Going on with the enumeration, spring wheat means the most to the Great Northern, the Northern Pacific and the St. Paul, and winter wheat to the Minneapolis and St. Louis, the Chicago, Rock Island and Pacific, the Union Pacific and St. Paul. The fortunes of the Bangor and Aroostook are very largely influenced by the potato crop, and fruit and vegetables play a large part in the prosperity of the Illinois Central and the Southern Pacific.

The principal spring wheat states are North and South Dakota and Minnesota, while Washington produces about a fourth as much as South Dakota. The Northern Pacific operates a network of lines in Minnesota, North Dakota and Washington; and the Great Northern covers these three states and parts of South Dakota. The St. Paul has a great mileage running through the Dakotas and Minnesota, with a main line reaching through Washington to Puget Sound.

But geography is not the only reason why these roads are so much influenced by spring wheat. Even in the poor crop year 1911 this crop in these four states was worth $171,671,000; and this was equivalent to approximately $133 per family. Thus spring wheat alone in these states in a poor crop year constituted about 14 per cent. of the gross income of the entire population, urban and rural, and was equivalent to about 31 per cent. of their net income available for personal uses. In good crop years these figures are raised to about 18 per cent. and 40 per cent. respectively. What wonder then that the prosperity of these states is so largely dependent upon this one crop as to make spring wheat practically dominate the traffic of the Hill roads, and to a lesser extent of St. Paul.

The general rule that large crops have meant large railroad earnings and vice versa has held well in the northwest in spite of opposing general business tendencies. From this point of view one must of course measure the crops in value rather than bushels, since it is the prosperity of the people rather than the tonnage of wheat that determines the earnings of the railroads. Even in 1908 when other roads were showing average losses of 12 per cent. in gross earnings, the Hill roads under the stimulus of a large wheat crop practically held their own.

The great winter wheat states are Ohio, Indiana, Illinois, Missouri, Nebraska, Kansas and Washington. Railroads do not separately report their traffic in wheat; but as an average for all roads in the United States, all agricultural products including animals, constitute 12.63 per cent. of the total freight traffic, while grain, exclusive of flour, amounts to about 4.46 and flour alone to about 1.22 per cent. Broadly speaking, most of the western roads carry about one-third as much wheat as total grain. The grain traffic of the Minneapolis and St. Louis amounts to about 23 per cent. of its total tonnage, against an average of less than 5 per cent., and therefore the big winter wheat crop means a vast deal to this road. Its securities are still highly speculative, but some of its junior bonds are quite attractive.

Next to this road the Rock Island lines and Union Pacific and St. Paul should be the most benefited by the big winter wheat crop. Agricultural products constitute about 34 per cent. of the Rock Island freight traffic against an average of less than 13 per cent., and the Union Pacific shows an exceptionally high proportion of grain traffic. Last year flour alone constituted 2.69 per cent. of its total, whereas the average for other roads is less than half of this. A large part of the company's mileage lies in Kansas, Nebraska and Washington, which are all big winter wheat states. The Chicago Northwestern, the Illinois Central and the Burlington also share to a lesser extent in the benefits of winter wheat.

Potatoes are more important to the Bangor and Aroostook than to almost any other road; and while this is not an

important line, its 5 per cent. bonds of 1943 look fairly good at current prices, as do some of its other securities. Its fortunes are more dependent upon potatoes than are the fortunes of any of these other roads upon the crops mentioned. Last year out of a total freight traffic of 1,620,065 tons, fruit and vegetables, most of which represented potatoes, constituted 374,518 tons. Generally speaking, its total tonnage rises and falls with the size of the Maine potato crop, and its gross receipts rise and fall with the value of the same.

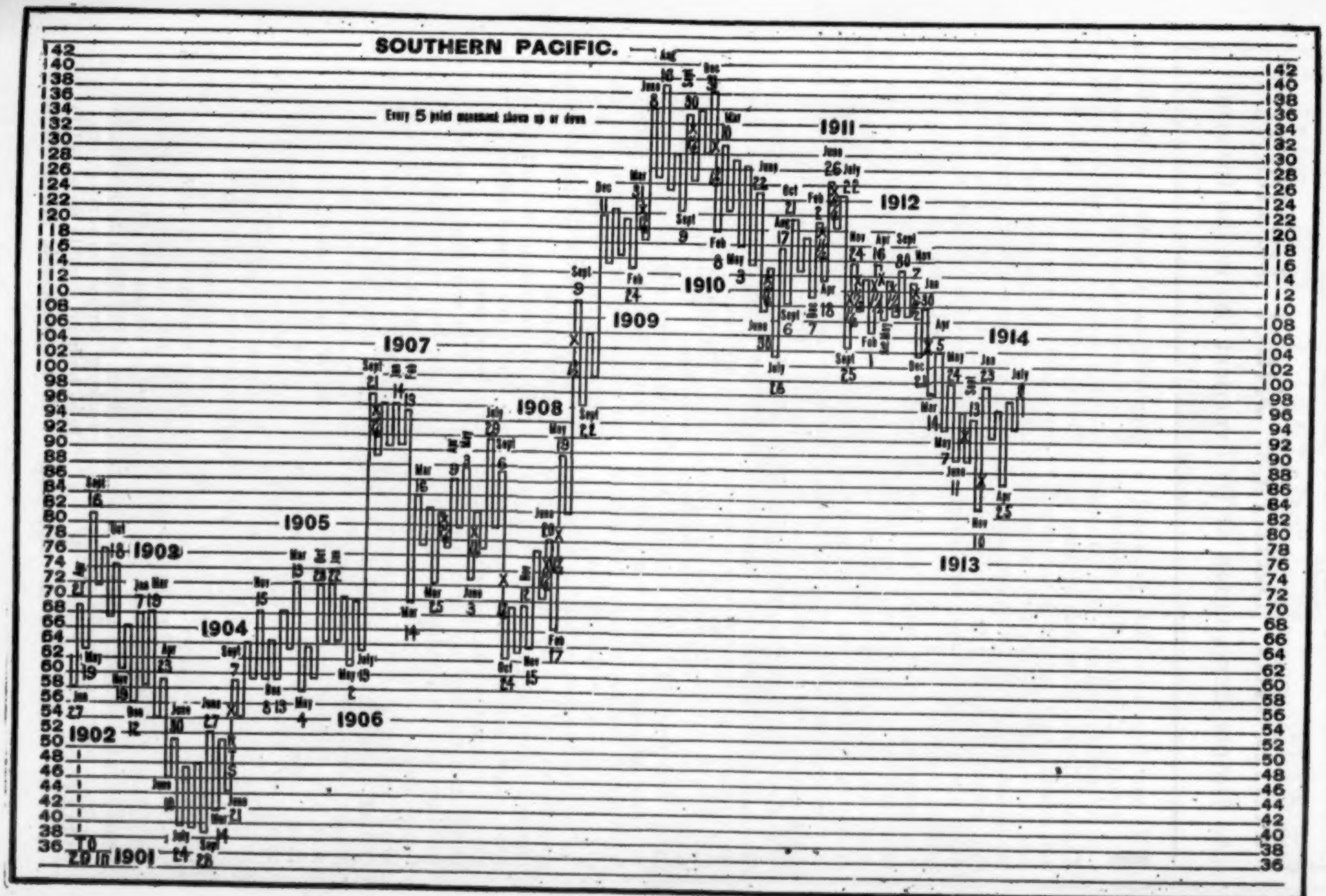
The different crops and the roads that carry them are at this season surely worth the close study of the investor in junior securities.

Railroad Earnings and Dividends

Percentages Earned and Paid in the Year Ended June 30, 1913

	Surplus Available for Dividends.	Dividends — Preferred Paid.	Common Per Cent. Earned.	Common Per Cent. Paid.
Atchison, Top. & Se. Fe	$22,143,008	$5,708,690	9.48	6.0
Atlantic Coast Line	7,889,203	9,925	11.5	7.0
Baltimore & Ohio	13,382,111	2,354,891	7.25	6.0
Boston & Maine	49,697	188,988	....	3.0
Buffalo, Rochester & Pittsburgh	2,126,994	360,000	16.8	6.0
Canadian Pacific	49,203,452	2,807,288	....	10.0
Central of Georgia	1,223,464	900,000	6.47	5.0
Chesapeake & Ohio	3,298,503	....	5.2	5.0
Chic., Burlington & Quincy	19,430,746	....	17.5	8.0
Chic., & East. Illinois	449,366	492,567	....	....
Chicago Gt. Western	1,245,039	....	....	....
Chic., Mil., & St. Paul	18,140,745	8,115,233	7.82	5.0
Chicago & Northwestern	14,875,013	1,791,600	9.56	7.0
Clev., Cin., Chic. & St. Louis	854,736	499,925	0.75	....
Colorado & Southern	1,665,313	680,000	3.2	1.0
Delaware & Hudson	6,978,539	....	16.4	9.0
Denver & Rio Grande	1,984,180	....	....	....
Erie	7,340,156	....	4.26	....
Great Northern, pfd.	24,358,994	Pd. 7; Earn. 11.6	....	....
Hocking Valley	1,916,404	....	17.4	7.0
Illinois Central	6,575,113	....	6.01	6.0
Kansas City Southern	1,646,171	839,965	2.69	....
Lake Shore & Mich. So.	17,375,344	96,030	34.9	18.0
Lehigh Valley	8,761,828	10,630	14.46	10.0
Louisville & Nashville	8,380,298	....	11.65	7.0
Michigan Central	3,299,094	....	17.6	6.0
Mo., Kansas & Texas	2,316,985	521,052	2.84	....
Missouri Pacific System	1,564,915	....	....	....
N. Y. Central & Hud. River	15,790,330	....	7.0	5.0
N. Y., Chic. & St. Louis	1,539,794	799,885	5.3	4.0
N. Y., New Haven & Hartford	8,922,238	....	4.95	7.50
N. Y., Ontario & Western	1,211,633	210	2.08	2.0
Norfolk & Western	11,106,641	919,668	10.2	6.0
Northern Pacific	21,563,518	....	8.69	7.0
Pennsylvania R. R.	40,668,329	....	9.0	6.0
Pittsb., Cin., Chic. & St. Louis	2,733,855	1,373,840	3.66	5.0
St. Louis & San Fran.	667,348	149,790 1st	....	....
St. Louis Southwestern	1,886,191	994,682	5.45	....
Seaboard Air Line	1,467,983	....	1.38	....
Southern Pacific Co.	27,847,046	....	10.2	6.0
Southern Ry.	7,078,625	3,000,000	3.4	....
Tol., St. Louis & Western	85,362	....	0.86	....
Union Pacific	35,209,011	3,981,740	14.4	10.0

As a similar table for 1914 will be published as soon as the figures are available these will be valuable to preserve as a record for comparison.


SOUTHERN PACIFIC.
Every 5 point movement shown up or down
1901
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
1914

Railroad Balance Sheet Indicator

A Simple Explanation of Its Practical Use to the Investor

IN our July issue we presented a graphic showing the position of Southern Railway and Missouri, Kansas & Texas, as regards working capital, floating debt, securities available for sale, etc. But it has occurred to us that the introductory text which accompanied this graphic is a little too technical for those who are not familiar with railroad balance sheets.

If you, as a business man, had a thousand dollars in the bank, and $4,000 worth of securities or notes which can readily be converted into cash, and this is your position at a time when your debts amount to only $5,000, you may be said to occupy a strong financial position. If, however, you draw down your bank balance, dispose of your securities and run up a debt of $7,000, you have what is known in the railroad business as a "floating debt." So long as you can stave off your creditors you will keep from going into bankruptcy, but if hard pressed, you may eventually fail.

The line between a floating debt and working capital is very easy to draw if one understands the rudiments of a railroad balance sheet. The formula is simple: If current assets, namely cash on hand, amounts due from other roads and from conductors, together with the other items which go to make up what is known as "quick assets," amount to $10,000,000, and on the other hand, the amounts due to other roads, the bills payable, the interest due or accrued, and other items on the liability side amount to $12,000,000, the road has a floating debt of $2,000,000.

But if these liabilities only amount to $2,000,000, then the company has a working capital of $8,000,000.

It is arbitrarily stated that the working capital of a railroad should amount to about 20 per cent. of its gross business. But there is no generally accepted rule on this point.

All six roads in the accompanying graphic show a working capital which is technically described as an excess of working assets over working liabilities. This part of the graphic is shown in solid black and the arrangement is such that one can see at a glance the tendency toward an increase or a shrinkage in this very important item. This shaded area represents what we will term "security reserve," and consists principally of four items:

(1) Securities available for sale or pledge, viz.: part of the company's own funded debt, which it is holding in the treasury available for sale in the open market. These are figured at par.

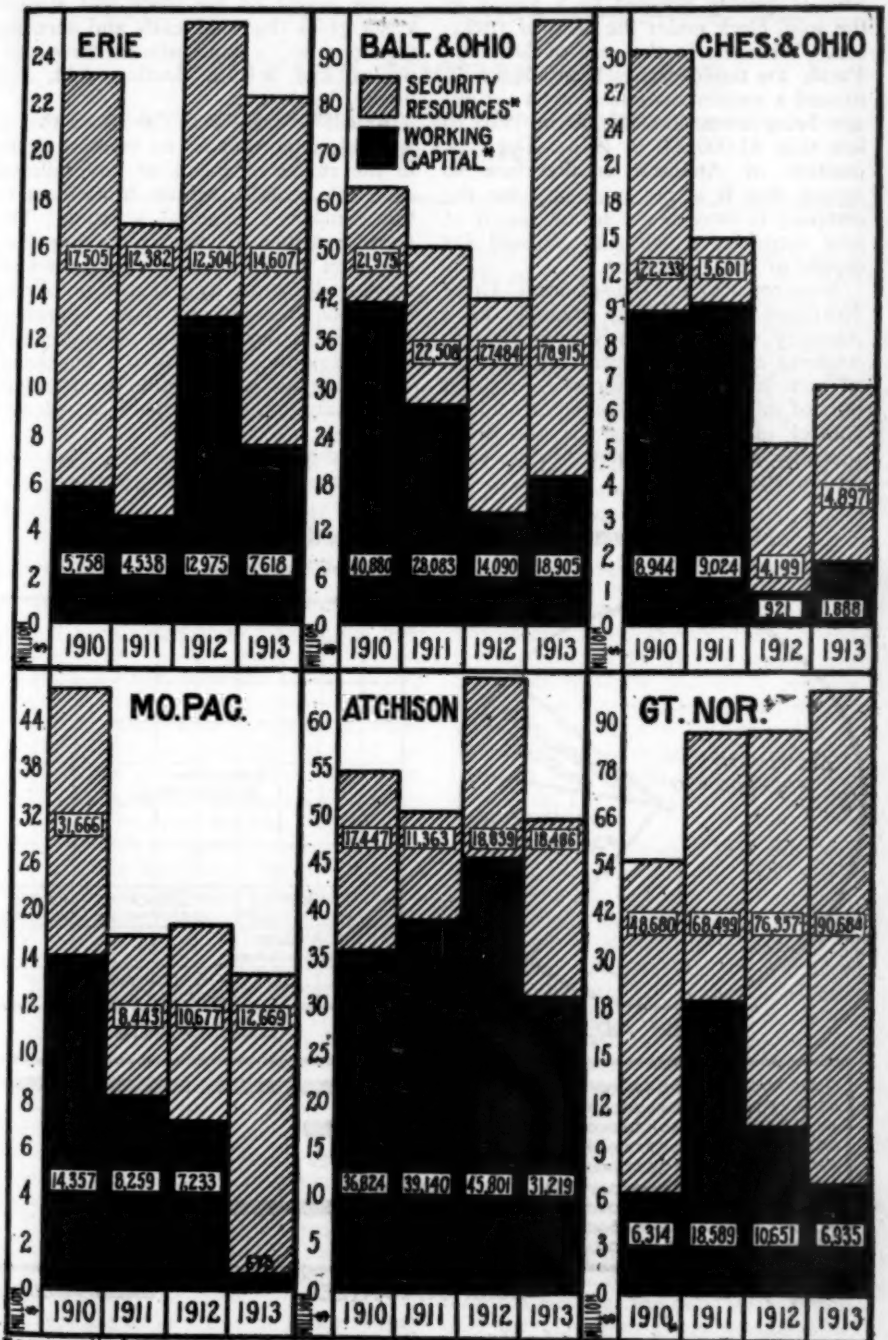
(2) Securities held for permanent investment or control, but not pledged. These are figured at book values.

(3) Permanent advances for property investment. These items generally represent money advanced to smaller companies which are part of the same system but which may be converted into security form at any time. These securities may be sold to reimburse the parent company for its advances.

(4) Miscellaneous marketable securities which are valued either at cost or their book value.

It will be seen that in estimating the values of these various kinds of securities there is a wide latitude for variation in the bases of figuring. For example, a company may hold certain bonds in its treasury valued at par, but when obliged to realize upon these no better price than 94 can be obtained.

To investors the practical value of these graphics (which will form a permanent feature in our magazine), lies in the readiness with which one can determine the financial strength or weakness of the corporation whose finances are thus presented. As, for instance, it will be noticed that in the Atchison the working capital is very strong, having been built up steadily from 1910 to 1912, with a considerable falling off in 1913,


ERIE
BALT. & OHIO
CHES. & OHIO
MO. PAC.
ATCHISON
GT. NOR.
SECURITY RESOURCES*
WORKING CAPITAL*
MILLION
17,505
12,382
12,504
14,607
5,758
4,538
12,975
7,618
21,975
22,508
27,484
78,915
40,880
28,083
14,090
18,905
22,238
5,601
4,199
4,897
8,944
9,024
921
1,888
31,666
8,443
10,677
12,669
14,357
8,259
7,233
17,447
11,363
18,839
18,486
36,824
39,140
45,801
31,219
48,680
68,499
76,357
90,684
6,314
18,589
10,651
6,935
1910
1911
1912
1913

*000 omitted

This is quickly grasped by a glance at the solid black under the head of Atchison. Whereas, in the case of Missouri Pacific the tendency has been constantly toward a weaker cash position; a shrinkage being from $14,000,000 in 1910 to less than $1,000,000 in 1913. The cash position of Atchison is therefore so strong that it is not necessary for the company to provide a constant supply of new securities which may be sold for capital or other purposes.

Now consider the shaded areas: Great Northern is a striking example of a company with comparatively small cash working capital, but a very large amount of securities available for sale. A large part of this represents securities held for control of other companies and while probably not for sale, nevertheless form an immense resource.

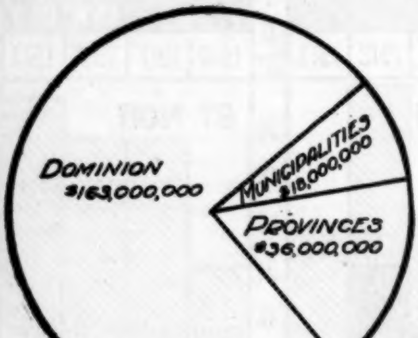
The height of the black and shaded areas gives the total cash and security resources which stand between these companies, and first, a floating debt, and finally, insolvency.

It will be seen from the above that it is highly important for an investor either in the stocks or bonds of any railroad company to fully inform himself as to the company's financial position. The mere fact that the road is paying dividends on its preferred stock does not always spell prosperity. It may be paying dividends unwisely out of poor earnings or out of its accumulated surplus which may be nothing more than a bookkeeping figure and which would mean practically that it was being paid out of capital.

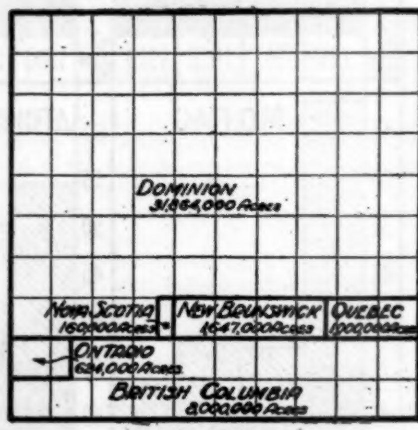
We should like to receive from subscribers comments or suggestions.

How the Canadian People Helped Their Railroads

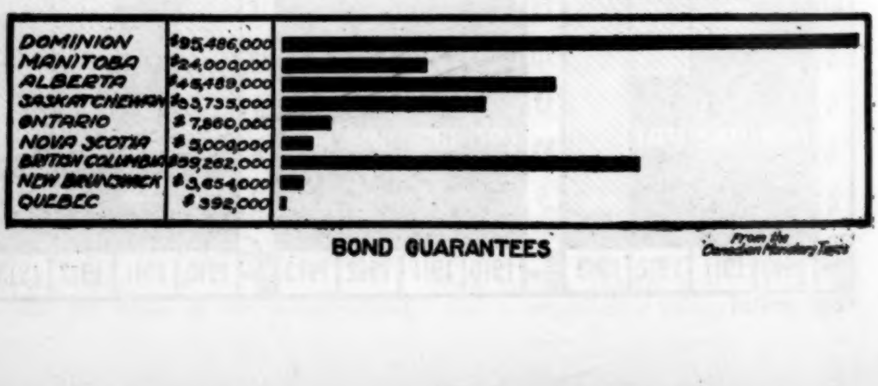
Which are now helping the people—Cash aid, land grants and bond guarantees have been plentiful.



CASH AID



LAND GRANTS



BOND GUARANTEES

From the Canadian Monetary Times

Moving Picture Stocks

A Good Speculation, But Not An Investment

By ARNOLD MONTGOMERY

THERE are fashions in the security market as well as in clothes. Fortunately they do not change as often, but they do change. The railroads had their vogue; then the industrial combinations. The oils and public utilities are still more or less popular, but their heydey is over—for the time being at any rate.

A new style has appeared upon the financial horizon and the indications are that it may become a popular favorite. It is nothing more or less than stock of the ubiquitous and once-despised "movie."

On the face of the proposition, the movie stocks appear to offer great possibilities for underwriters, in that the moving picture industry has a history which appeals to the popular imagination. Mystery and imagination make markets, and everyone has heard of the fortunes made in this business; how men have become millionaires in a few short months. The opportunities for exploitation were too great to be overlooked by the suffering bankers of the country and recent months have seen the flotation of several "movie" issues which had never before been heard of below the "dead line."

The Mutual Film Corporation, the New York Motion Picture Co. and the Reliance Motion Picture Co. were underwritten some months ago, and more recently the World Film Corporation.

The stock of the Biograph Co. has been traded in by the unlisted dealers for a number of years and is one of the oldest companies in the business. It has never been a market feature, however.

The Mutual Film Corporation handles a number of brands, and 56 exchanges now circulate these films, against 20 in 1912.

There are supposed to be about 20,000 houses in the United States devoted regularly to moving pictures, and these are said to be attended daily by 16,000,000 persons. Taking 10 cents as the average admission paid, which seems conservative considering the number of feature films which draw as high as 50 cents, this means that $1,600,000 is spent daily for this form of amusement. Yearly it would be over $500,000,000.

This tremendous total would appear to provide enough cash for all comers, but like all successes, the moving picture is being overdone. When the big profits of the automobile business began to be talked about, more than enough went into the manufacture of motor cars. The inevitable failures occurred, as so many investors know to their sorrow. It is the same with the movie; a few conspicuous successes have resulted in many sheep following the leaders, although thus far, it must be admitted, there have been no dire results. Probably the inflation has not yet reached a dangerous point.

There is no question that the popularity of the moving picture is growing rather than diminishing, and fortunately for those who have invested in, or rather, bought movie stocks, the expansion has been more extensive in the exhibiting than in the producing and distributing branches. The reason is that anyone with a little cash or credit can get a few chairs together and start a show, whereas producing good film and marketing it requires real knowledge or reel knowledge, whichever is preferred.

Success in the moving picture business, according to those who ought to know, depends entirely upon management. The really worth while money has been made in the producing and distributing ends of the business, particularly the latter as the distributor handles only the output of those studios which meet with the favor of the public and

which the theatres demand. If a studio's reels begin to lose their wonted "punch," the distributor can cancel its contract on short notice and the producer must find some other outlet or go out of business.

The distributor stands in the position of a jobber. In some cases the different studios which sell to a distributor own stock in the circulating concern and thus are more certain of their market. Thus far no one in this country has put out any securities for public consumption, having behind them the assets and earnings of a string of movie theatres, although it has been done abroad. The distinction is made on the point of stocks offered the public as there are close corporations operating chains of moving picture houses.

One of the best-known picture producing companies, a pioneer, is said to have been started, about 10 years ago, with a capital of some $690 cash on hand, in addition to the promoters' nerve. It may have been $690.33, but trade history records that it was no more. This company, on January 1 last, split a New Year's present among the three owners of $680,000. One of the partners dislikes diamonds to such an extent that he tries to prevent the rest of the population wearing any by carrying around in perfectly visible locations all he can tack upon his person. He probably has more sparkle to the square inch than even that popularly known personality Diamond Jim Brady.

This concern is a producer only and appears to be to the movie business what the Ford Co. is to the automobile industry. Its ratio of profits to capitalization are probably without parallel in its own line and like the Ford it is a close corporation.

The distributing agents and the exchanges hold the key to the situation. If a producer cannot get his pictures before the public he is stopped before he starts. For a while the so-called trust controlled practically the entire distribution of reels, but its ways were such that its days were numbered and aggressive independents crowded in and fought the good fight against monopoly. So at present there are several distributors. The Mutual is one, the General Film Corporation, the World and the Universal are others, each one handling a varying number of brands.

The contract arrangements differ, but as a rule the entire output of a studio is handled by one distributor, which pays so much a foot for film. The companies of this country are said to turn out a total of 10,000,000 feet of film a week. This is passed out by the distributors via the exchanges to the numerous theatres which in this way get their daily, biweekly or weekly consignment of thrills. The business has been highly developed and needs perfect system in order to keep the exhibitors happy and prevent expensive mix-ups. Of course, with the big feature films there are special arrangements made and state rights sold to the highest (or most responsible) bidders.

There are several concerns which handle nothing but features. These are not given in the list which follows, because they are all close corporations with no public investment interest. It might be mentioned *en passant* that the trade authorities believe the popularity of the multiple reel features, started by the success of Quo Vadis is on the wane and that the one-reel picture is recovering its former place as the standard.

In the list above are given the outstanding capitalization, dividends and approximate prices of several movie stocks which are not unknown in the public market. The collection offers sufficient variety for any who are interested in this class of security:

Company.	Preferred.	Annual Div.	Mkt. Price.	Common.	Annual Div.	Mkt. Price.
Mutual Film	$1,500,000	7%	53-61	$1,550,000	12%	70-76
Reliance	200,000	7%	No sales	800,000	...	No sales
*N. Y. Motion Picture	......	...	......	1,000,000	24%	88-92
*Biograph	......	...	......	1,990,000	6%	80-90
*World Film	......	...	......	†1,250,000	...	4-4¾
Syndicate Film	100,000	7%	95-100	200,000	...	75-80

*One class of stock only. †Par $5. All the others have $100 par.

It will be noted that in every case the market prices for the stocks are extremely low considering the dividend yield. Imagine a railroad or industrial stock paying 24 per cent. a year, selling for about 90! The reason for the low level of quotations is the obvious one that the shares are of a decidedly speculative nature. They are not investments in any strict sense of the word.

The earnings of the companies are good as a rule, as has been stated, but the assets are small, consisting of studio properties and buildings, film stock, etc. The finished picture films are valuable, of course, but it is impossible to say how valuable. Some go the rounds for years and are big earners, while others have but a short life. Big features, like Quo Vadis? cost perhaps $100,000 to produce, but may bring in five times that much before they are consigned to the discard.

The conservative moving picture companies have been studiously working out a method of arriving at an average amount to write off for depreciation and thus get their assets upon a proper basis. The World Film Corporation writes off 2 per cent. a week on its completed films, which would indicate that the average life of a picture is a little less than a year. The Mutual Film Corporation writes off about the same amount.

The latter is the only movie company which has issued earnings statements up to this time, and for this reason its shares are more worthy of consideration than some of the others. For the 12 weeks ended March 29, a net available for dividends of $114,000 was shown, according to a report recently sent to stockholders. It has been stated since then that profits have lately been even better than earlier in the year. This company a few weeks ago declared its 7 per cent. preferred dividend for a year in advance, and its monthly common dividend of ½ per cent. regular and ½ per cent. extra for four months ahead.

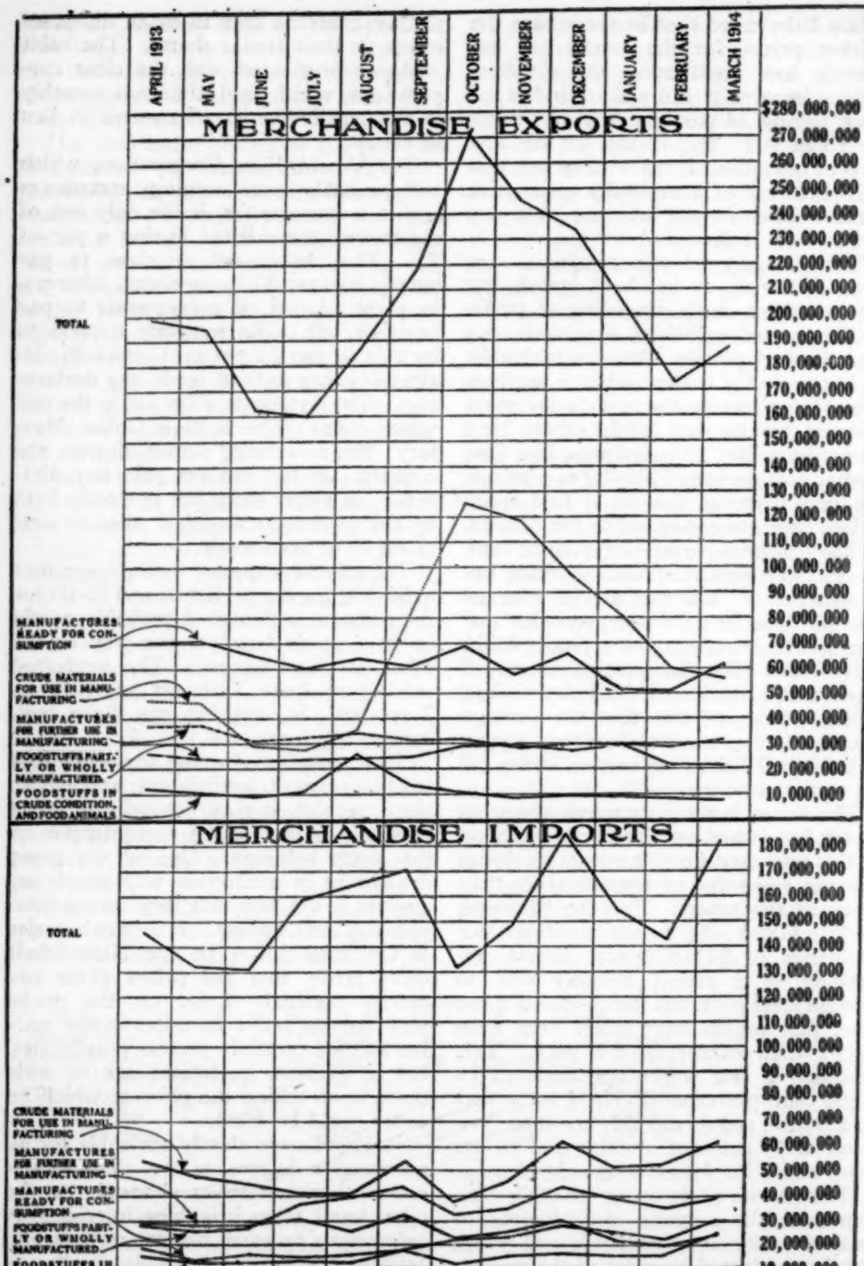
The custom of declaring monthly dividends on the common stock instead of quarterly or semi-annually is one which has been adopted by most of the moving picture concerns able to make disbursements on their junior shares. The habit probably originated with the close corporations, which paid dividends monthly to the small coteries of owners in lieu of salary.

The World Film Corporation, which will probably issue earnings statements within a few months, is the only one of the movie stocks listed having a par of $5. The shares sell so close to par simply because $5 looks cheap, whereas, in point of fact, it corresponds to par basis of 100. The company expects to be able to pay 12 per cent. annually, although it has not yet made any declaration. The Syndicate Film Co. is the one which owns "The Million Dollar Mystery" film now being shown all over the country. It has not yet paid any dividends on either stock but is closely held by the promoters and few sales to outsiders have been made.

The market is quoted by the specialists at 95-100 for the preferred and 75-80 for the common, although it probably would be hard to do business one way or the other at these figures. The preferred stock participates, after it has paid its 7 per cent., in anything over 7 per cent. paid on the common.

The quotations for the various movie stocks are most inconsistent, and where they are high it may not indicate merit as much as merely the concentration of the share holdings. One of the great drawbacks in connection with movie securities is the fact that they do not possess any real market. It is much easier to buy than sell. The specialists admit quite freely that the prices given are merely nominal. Later on, the stocks may become active favorites in the market as they certainly possess possibilities, but at present, quotations are so wide there is no telling the price at which an order could be filled.

It would seem clearly advisable for all prospective buyers to go slow before committing themselves although, on the other hand, there is nothing in recent developments to scare present owners into selling.



From the "Steel and Metal Digest."

A Chart of Imports and Exports from April, 1913 to March 1914

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions).	
						Pref.	*Com.*
Atch., Top. & S. Fe	May	$3,003,831	—$243,877	$34,566,779*	—$1,934,294	114	195
Atlantic Coast Line‡	May	629,093	+18,602	8,583,796*	—924,173	...	67
Baltimore & Ohio	May	1,917,681	—758,299	23,834,852*	—1,641,355	60	152
Boston & Maine	May	805,285	+14,962	8,262,786*	—982,814	3	39
Buff., Rochester & Pittsb.	May	102,404	—220,384	2,499,758*	—457,141	6	10
Canadian Pacific‡	May	2,963,012	—541,018	39,090,303*	—3,527,815	74	260
Central of Georgia	May	94,750	—38,741	3,365,366*	—35,790	15	5
Central R. R. of N. J.	May	820,650	—108,238	10,689,561*	—1,925,575	None	27
Chesapeake & Ohio	May	784,412	—113,915	10,071,316*	+501,951	...	62
Chicago & Alton‡	May	131,603	—23,972	1,438,638*	—403,636	19	19
Chic., Burl. & Quincy	May	1,204,309	—204,419	28,440,529*	—1,380,519	None	110
Chic. Gt. Western	May	193,853	—36,853	3,149,586*	—246,884	44	45
Chic., Mil. & St. Paul	May	2,139,852	+16,261	27,898,940*	—958,572	116	116
Chic. & Northwestern‡	May	988,333	—520,981	20,885,964*	—1,475,970	22	130
Cleve., Cin., Chic. & St. L.	May	308,860	+472	582,416†	—866,351	10	47
Colorado & Southern	May	178,691	—151,631	3,156,518*	—1,088,940	1st, 8; 2d, 8	31
Delaware & Hudson	May	689,292	—3,703	2,424,003†	—1,118,707	None	42
Del., Lack. & Western	May	1,151,214	—114,899	12,965,778*	—1,089,669	None	42
Denver & Rio Grande‡	May	505,262	+96,982	5,645,883*	—471,727	49	38
Erie‡	May	1,347,439	—286,649	11,228,334*	—3,446,644	1st, 47; 2d, 16	112
Great Northern	May	1,507,270	—996,775	27,047,674*	—3,387,817	230	None
Hocking Valley	May	145,872	—140,290	2,062,095*	—451,631	None	11
Illinois Central‡	May	833,206	—237,669	10,876,693*	+853,149	None	109
Kansas City Southern	May	296,072	—42,483	3,679,099*	—11,211	21	30
Lake Erie & Western	May	70,528	—26,258	321,739†	—92,435	11	11
Lake Shore & Mich. So.	May	952,380	—567,573	4,495,894†	—2,844,139	None	49
Lehigh Valley	May	1,263,010	+45,363	10,710,723*	—2,092,004	...	60
Long Island‡	May	334,140	+82,671	538,330†	+178,266	None	12
Louisville & Nashville	May	815,574	—63,142	13,886,979*	—57,513	None	72
Michigan Central	May	594,865	—282,139	2,588,200†	—1,295,124	None	18
Minn. & St. Louis‡	May	105,353	—41,610	2,112,746*	—295,631	5	15
Minn., St. P. & S. S. Marie‡	May	254,800	—123,365	5,050,016*	—2,617,368	12	25
Mo., Kansas & Texas	May	642,589	+78,517	8,121,030*	—982,123	13	63
Missouri Pacific‡	May	888,322	—598,312	12,982,050*	—880,219	None	82
National Rys. of Mexico§	May	260,410	—572,588	2,213,026*	—18,642,669	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	May	1,939,239	—387,661	7,276,110†	—2,024,111	None	225
N. Y., Chic. & St. Louis	May	107,373	—71,115	437,233†	—491,366	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford	May	1,551,618	+270,104	16,493,035*	—2,861,784	None	157
N. Y., Ont. & Western‡	May	195,269	—30,133	1,833,991*	—617,614	None	58
Norfolk & Western	May	1,305,677	+25,974	13,256,847*	—718,055	23	107
Northern Pacific	May	1,867,887	+220,072	24,344,554*	—1,400,969	None	248
Pennsylvania R. R.‡	May	3,213,078	—416,080	11,878,378†	—2,180,277	None	499
Pere Marquette‡	May	def. 2,747,682	—2,956,215	def. 1,745,714*	—4,736,464	12	14
Pittsb., Cin., Chic. & St. L.‡	May	528,872	—93	2,250,821†	+563,587	27	37
Reading Co.	May	171,143	+2,558	1,828,831*	—1,024	1st, 28; 2d, 42	70
Rock Island Lines	May	706,327	—619,969	15,316,795*	—1,406,131	49	90
Seaboard Air Line‡	May	549,900	—89,951	6,426,008*	+161,196	23	37
St. Louis & San Fran.	May	290,282	—497,618	9,239,732*	—2,872,515	1st, 4; 2d, 15	28
St. Louis Southwestern‡	May	19,848	—161,350	2,235,792*	—1,217,366	19	16
Southern Pacific‡	May	2,512,131	—1,047,841	34,664,751*	—6,282,523	None	272
Southern Railway	May	1,190,832	—105,875	17,944,481*	—923,313	60	120
Texas & Pacific	May	181,379	+101,536	4,209,883*	+934,000	None	38
Tol., St. L. & Western‡	May	97,888	—34,836	1,104,234*	—66,702	10	10
Union Pacific‡	May	1,933,883	—341,942	29,066,354*	—2,925,567	99	222
Wabash	May	277,860	—224,725	5,422,316*	—1,203,792	39	53
Western Maryland	May	def. 93,772	—245,690	446,656*	—1,191,754	10	49
Wheeling & Lake Erie	May	129,140	—23,055	2,181,264*	+334,093	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

DO NOT BUY *these stocks until you have read the above note and references thereto. Then if in doubt write us.*

Railroads

Railroads	Present div. rate.	Div. yield on pres. price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during: 1908.	1909.	1910.	1911.	1912.	1913.	1914. estimated	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Seaboard Air Line Ry. pfd	4	7.6	....	....	....	7.6	3.7	7.3	7.0	53	13.2	Initial div. Nov., 1913.
Southern Railway com....	0	0	—2.2	0.5	2.3	3.1	3.1	3.4	2.5	21	11.9	
Reading com.	8	5.0	12.7	13.2	16.1	13.8	12.5	22.7	17.5	161	10.9	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Union Pacific com........	8	6.3	16.2	19.1	19.2	16.6	13.8	15.1	13.0	126	10.3	Ex-rights 30¼% July 20.
Brooklyn Rapid Transit...	6	6.7	4.1	4.2	5.6	6.8	8.3	9.2	....	90	10.2	Subways will doubtless enlarge earnings eventually.
Chesapeake & Ohio........	4	8.7	4.4	6.4	10.0	5.1	6.8	5.2	4.5	46	9.8	Must put $15,000,000 out of earnings into property before 1917.
Kansas City Southern com.	0	0	2.6	3.4	2.2	2.7	0.2	2.7	2.5	26	9.6	
Buff., Roch. & Pittsb. com.	6	5.8	6.2	6.3	7.3	8.0	8.4	10.2	9.5	104	9.1	Pref. and com. share equally above 6%.
Toledo, St. L. & West. pfd.	0	0	0.2	1.0	2.0	—0.6	—0.5	0.6	1.0	11	9.1	Earns. given exclude divs. on Alton, now discontinued.
Canadian Pacific	10	5.4	10.6	8.6	16.0	17.3	19.6	19.6	15.5	186	8.3	Div. 7% R. R., 3% land sales.
Norfolk & Western com...	6	5.8	7.1	8.7	11.6	8.9	9.9	10.6	8.5	104	8.2	Controlled by Penna.
Delaware, Lack. & West...	20	5.0	40.8	52.8	35.4	31.8	33.2	32.0	....	402	8.0	
Atlantic Coast Line........	7	5.9	5.6	9.4	12.0	12.8	12.1	12.0	9.5	119	8.0	Holds control of Louis. & Nash. by stock ownership.
Great Northern pfd........	7	5.7	7.1	8.3	8.5	8.3	10.3	11.0	9.0	122	7.4	Has large equity in C. B. & Q. and Can. extensions.
Twin City Rap. Trans. com.	6	5.8	8.3	9.9	10.9	11.0	11.3	13.0	7.5	103	7.3	
Atchison com.	6	6.1	7.7	12.1	8.9	9.3	8.2	9.5	7.0	98	7.2	Earn. 1913 on present cap. stk. 8.5%.
Louisville & Nashville....	7	5.2	7.5	14.3	17.3	14.2	15.9	12.7	9.5	134	7.1	Contr. by Atl. Coast. Earn. '13 on pres. stk. 11.6%.
Lehigh Valley com........	10	7.4	19.2	15.4	23.0	16.5	13.2	16.9	9.5	136	7.0	
Northern Pacific com.....	7	6.4	12.8	10.7	9.0	8.2	7.9	8.7	7.5	109	6.9	Large equities in lands & C., B. & Q.
Southern Pacific com......	6	6.3	7.4	10.2	13.0	9.6	7.9	9.8	6.5	96	6.8	Govt. contesting ownership of Cent. Pac.
Wisconsin Central com....	0	0	—0.6	0	2.5	—4.3	0.3	4.0	2.5	38	6.6	Leased to M.,St. P. & S. S. M. (Can. Pac. system).
Pennsylvania R. R.........	6	5.5	9.8	11.0	9.3	8.6	9.3	8.9	7.0	110	6.4	Divs. pd. since 1856.
Chicago & Northw'n com..	7	5.3	11.2	11.4	7.7	8.0	7.1	9.6	8.0	131	6.1	Pref. and com. share above 7%.
Chic., Mil. & St. Paul com.	5	5.1	9.5	7.2	8.0	7.1	1.6	8.6	6.0	98	6.1	Now includes Puget Sound.
Illinois Central	5	4.4	8.4	7.4	7.1	10.3	3.2	6.0	6.5	113	5.8	Div. reduced from 7%.
Minn., St. P. & S. S. M. com.	7	5.7	8.4	8.8	15.7	5.3	11.1	14.7	7.0	123	5.7	Pref. & com. share above 7%. Contr. by Can. Pac.
Chicago Gt. Western pfd..	0	0	....	....	1.2	1.9	0.4	2.8	2.0	36	5.6	
Denver & Rio Grande pfd.	0	0	7.7	6.6	8.3	4.7	2.0	4.2	0.5	9	5.6	Contr. & fin. W. Pac., wh. earns only part fxd. chgs.
Baltimore & Ohio.........	6	7.1	5.1	7.1	8.9	6.9	7.6	7.2	4.5	84	5.4	6 mo. end Dec. '13 equals 3.1%. Large block of B. & O. stock held by U. P. distributed.
Delaware & Hudson......	9	6.1	12.4	12.2	12.5	12.3	13.0	14.5	8.0	147	5.4	
N. Y. Cen. & Hud. River..	5	5.9	5.1	7.7	6.4	5.7	6.2	5.9	3.0	85	3.5	Now consolidated with Lake Shore.
N. Y., Ontario & Western.	0	0	2.6	2.3	2.3	2.0	0.8	2.1	0.5	21	2.4	
Erie com.	0	0	—3.7	0.3	2.9	2.5	0.7	4.3	0.5	26	1.9	
Mo., Kansas & Texas com.	0	0	0.4	0.7	0.8	2.0	—0.8	2.8	0.2	11	1.8	
Missouri Pacific	0	0	3.7	1.3	3.3	—6.3	—2.4	1.9	0.2	11	1.8	Extended one yr., $30,000,000 notes due June, 1914.
Pitts., C., C. & St. L. com.	0	0	7.2	9.8	6.1	7.0	10.9	—2.0	0.5	67	0.5	Pref. and com. share above 5%. Cont. by Penna.
St. Louis S. West. pfd...	0	0	1.6	2.9	4.1	6.1	8.2	9.4	0	37	0	Div. recently passed.
Western Maryland pfd....	0	0	....	....	8.6	6.2	6.0	—4.1	....	34	0	Connection with N. Y. Central completed.
N. Y., N. H. & Hartford..	0	0	5.4	7.4	10.3	7.1	8.5	5.0	—1.0	52	0	Div. recently passed. Gov. break. up its contr. of sub. cos.
Minn. & St. Louis pfd....	0	0	2.7	—2.4	1.9	1.5	—11.9	7.7	—4.5	26	0	
Lake Erie & West. pfd....	0	0	—2.0	0.8	—0.2	—0.1	1.8	—1.8	....	13	0	Controlled by Lake Shore.
Colorado & Southern com.	0	0	4.8	4.9	7.3	5.2	2.6	3.2	—1.0	23	0	Controlled by C., B. & Q. (Hill management).

Preferred stocks earning in last fiscal year more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 1st pfd.	0	0	—3.4	6.1	12.1	11.2	7.0	15.3	....	40	38.2	Entitled to 4%.

Industrials

	Present div. rate.	Div. yield on pres. price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during: 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
General Motors com.	0	0	....	....	....	15.7	17.3	38.8	....	91	42.6	1911 earnings 10 mos. only.
Bethlehem Steel pfd.	5	5.9	2.4	5.3	13.4	13.6	13.1	34.4	....	85	40.5	
Pressed Steel Car com.	3	7.1	—5.8	7.7	5.5	0.1	0.8	10.5	....	42	25.0	Recently declared ¾% quarterly.
Am. Steel Foundries.	2	6.5	0.3	0.1	6.1	—1.5	4.6	6.1	....	31	19.7	1911 earns. are 17 mos.
Nat. Enam. & Stamp. com.	0	0	—2.1	1.1	1.0	1.1	—1.6	1.9	....	10	19.0	1912 earnings 18 mos.
U. S. Steel com.	5	8.3	4.0	10.5	12.3	5.9	5.7	11.1	....	60	18.5	U. S. Govt. suit pending.
Colo. Fuel & Iron com.	0	0	0.4	2.1	4.0	3.2	4.8	4.6	....	25	18.4	Pref. in arrears abt. 40%. Strike affected Co. badly.
Am. Hide & Leather pfd.	0	0	—0.1	11.2	—5.6	0.8	3.2	3.6	....	21	17.1	
U. S. Rubber com.	6	10.5	0.2	4.0	7.8	2.2	6.3	8.7	....	57	15.3	1913 figured on present cap. stock.
Tennessee Cop. (par $25).	12	9.4	6.5	6.8	8.9	8.1	21.9	19.3	....	$32	15.1	Income partly from sulphuric acid.
Republic Iron & Steel pfd.	7	8.2	9.8	8.1	11.7	7.8	8.9	12.4	....	85	14.6	Arrears 5¼%.
Central Leather com.	2	5.6	1.3	6.3	—2.1	—5.1	8.6	5.2	....	36	14.4	
Inter. Harvester (N.J.) com.	5	4.7	7.8	17.8	14.8	14.2	15.2	14.5	....	106	14.3	Govt. suit pending. 1913 earns. new Co.
Westinghouse Electric com.	4	5.1	....	....	7.6	12.3	6.2	8.2	10.8	78	13.8	Has written off large amt. of investment in foreign Westinghouse Cos.
Am. Malt Corp. pfd.	4	11.4	10.6	6.2	3.0	8.8	9.3	4.6	....	35	13.1	Divs. in arrears 22%.
Inter. Paper pfd.	2	5.9	7.3	2.7	4.5	5.3	5.4	4.4	....	34	12.9	6% cum. div. in arrears 24%.
Va.-Carolina Chem. com.	0	0	3.7	7.1	10.4	3.1	3.3	0.5	3.5*	28	12.5	Owns Southern Cotton Oil Co.
Corn Products pfd.	5	6.4	8.5	8.2	6.9	7.0	6.8	7.6	....	63	12.1	Divs. in arrears.
U. S. Realty & Improve.	5	8.3	7.7	9.2	9.7	9.4	8.3	9.2	8.2	60	12.0	Controls Fuller Constr. Co.
Am. Smelt. & Refining com.	4	6.2	7.0	7.7	7.1	9.1	10.1	7.5	....	65	11.5	Smelting & Smelt. Sec. now consolidated.
Pittsburgh Coal pfd.	5	5.6	1.7	3.0	7.2	5.1	7.5	10.1	....	89	11.3	Divs. in arrears 40%.
Am. Linseed pfd.	0	0	....	5.8	4.5	2.6	—2.8	3.0	....	27	11.1	
Sears-Roebuck com.	7	3.6	4.5	18.4	20.5	17.0	19.3	21.2	....	192	11.0	
Am. Car & Foundry com.	2	3.9	23.8	2.6	6.6	7.1	2.5	4.1	5.5	51	10.8	$600,000 set aside for com. divs., equals 2% on stk.
American Can pfd.	7	7.8	6.6	6.7	6.8	7.1	14.2	9.7	....	90	10.8	Arrears 8¾%. Govt. suit pending.
Am. Beet Sugar com.	0	0	4.2	7.0	7.3	10.9	13.5	3.9	2.3	23	10.0	Affected by tariff reduction.
Chino Copper (par $5)	60	7.5	....	....	....	....	50.6	77.5	....	$40	9.7	
Utah Copper (par $10)	30	5.4	23.3	29.5	34.6	39.7	53.5	53.9	....	$56	9.6	
Am. Agricul. Chem. com.	4	7.3	6.1	7.5	10.4	9.1	7.3	5.2	....	55	9.5	
North American	5	6.9	4.8	6.0	6.2	6.2	7.2	6.7	....	73	9.2	Controls Street Ry. & Elec. Light Cos.
Pacific Coast com.	4	5.5	5.7	5.3	8.8	7.2	6.2	6.6	....	73	9.0	Div. on 2 pfd & com. reduced from 1½ to 1% qtly.
National Biscuit com.	7	5.3	8.1	7.4	7.7	9.8	10.0	9.6	11.7	132	8.9	Fisc. yr. ends Jan. 31.
Ray Con. Copper (par $10)	15	7.1	....	....	....	2.1	13.3	18.5	....	$21	8.8	
General Electric	8	5.4	10.2	7.4	16.7	14.5	16.2	12.9	....	148	8.7	
Distillers' Securities	0	0	1.5	2.2	2.3	3.1	1.5	1.2	....	14	8.6	Holds. maj. U. S. Ind. Alcohol.
Amalgamated Copper	6	8.7	4.3	2.4	3.9	3.9	4.3	5.8	....	69	8.4	Controls Anaconda and other Butte and Mex. mines.
Union Bag & Paper pfd.	0	0	7.4	6.2	5.4	5.5	5.3	1.6	1.7	21	8.1	Divs. in arrears. Fisc. yr. ends Jan. 31.
American Tel. & Tel.	8	6.7	10.1	9.0	10.4	10.0	9.3	9.6	....	119	8.1	Large equities in sub. cos. earns.
Sloss-Sheffield com.	0	0	4.9	6.6	2.0	—0.6	0.8	2.1	....	27	7.8	
National Lead com.	3	6.5	5.8	6.2	4.3	3.6	3.8	3.6	....	46	7.8	
Am. Cotton Oil com.	0	0	3.2	10.4	6.8	—1.2	6.5	3.4	3.0*	39	7.7	Controls 17 sub. companies.
General Chemical com.	6	3.5	4.5	14.4	15.6	15.5	11.5	12.8	....	170	7.5	5% stk. div. 1912; 5% extra cash 1914.
Pacific Mail	0	0	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	1.5	22	6.8	Contr. by So. Pac. Panama Canal should incr. earn's.
Pullman	8	5.2	9.8	10.9	11.6	9.3	8.7	9.3	....	156	6.0	
People's Gas Light & Coke.	8	6.7	8.4	8.9	9.0	8.9	7.5	7.2	....	120	6.0	1913 figured on pres. cap. stock.
Consolidated Gas (N. Y.).	6	4.7	4.9	6.7	7.4	7.6	7.5	7.2	....	128	5.6	Sub. cos. have large undistributed surpluses.
Western Union	4	6.9	1.7	5.8	5.7	5.4	4.0	3.2	....	58	5.5	Am. Tel. & Tel. has relinquished control.
Railway Steel Spring com.	0	0	—1.3	5.3	6.0	0.3	5.8	1.3	....	27	4.8	2% div. May, 1913.
Am. Locomotive com.	0	0	11.1	—3.1	1.3	7.3	0.5	17.7	1.0*	30	3.3	Mfr. of autos. discontinued.
Am. Sugar Refining com.	7	6.6	7.5	3.9	3.8	9.6	8.7	1.9	....	106	1.8	Affected by tariff. Much litigation pending.
Am. Woolen com.	0	0	—3.9	5.2	2.2	2.1	2.1	—19.9	....	16	0	Affected by new tariff.
U. S. Cast Iron Pipe pfd.	0	0	5.4	1.2	4.4	3.9	4.2	4.7	—0.5	33	0	Controls 75% of U. S. production.

* Estimated.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

New York Central

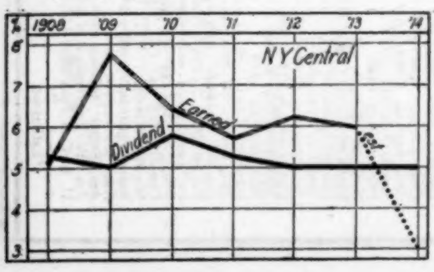
MUCH talk has gone through the columns of the newspapers over the past year or more about the permanency of the New York Central dividend.

Every few weeks the rumor of reduction in dividend is trotted out and then immediately after the directors meet and declare the regular amount.

What the Central is doing is hanging on by its teeth, so to speak, to keep itself from reducing its dividend, if possible. Unburdened from the tremendous load of new capitalization that it has taken on during the past few years on account of the large improvements the question of dividend reduction would not be even heard of.

The company is in that stage where it is trying to grow up to its capitalization. All the new money has been put into real substantial property, but that property cannot bear the requisite fruit quickly enough to prevent the talk of reducing dividends. Also the company is keeping its property in good shape and taking advantage of what business is offering.

The question with this road is whether business will offer in such large quantity quickly enough to prevent the dividend reduction. The road is earning enough to pay its charges and dividends and have a little left over. It is the question of the margin remaining that is keeping everybody guessing.



Baltimore & Ohio

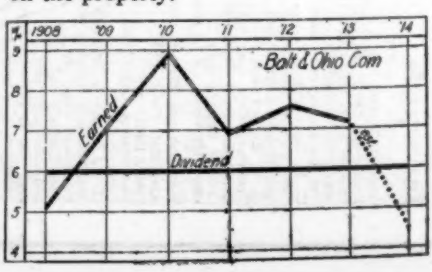
THE situation in this property is both bad and good. Bad because the earnings for the year ended June 30 last did not come to expectations nor did they even come up sufficiently to meet the dividend payments. The road for the year was compelled to draw on its surplus for the dividend payments to the extent of around two millions of dollars, generally a bad practice.

But sometimes, as in the case of the B. & O., the depression in earnings is the result of a special cause or special conditions likely to be removed soon so that cutting dividend would create a greater disturbance than paying them out of surplus.

In theyear ended June 30 gross earnings fell off about $4,000,000. Operating expenses were high, there being $2,300,000 charged for flood damage.

So the deficit is easily accounted for. As against the deficit however there is a property well maintained and well operated and one that can on a moment's notice come right up in earnings as soon as the business presents. Especially will it be benefited if the railroads are allowed to increase rates.

That the situation is not so bad is evident from the fact that the road holds enormous amounts of perfectly good and marketable securities which represent a large part of its surplus, so it can get the money rather easily and not have to stint on the property.



Railroads' Margin of Safety

Showing Amounts Required for Charges for the Year Ended June 30, 1913

	Net operating income.	Total net income from all sources.	Fixed and current charges.	% of tot. net. inc. reg. for fix'd chgs.
Atch., Top. & Se. Fe	$34,591,565	$37,107,189	$14,964,181	40.3
Atlantic Coast Line	10,036,063	13,757,971	5,868,768	42.6
Baltimore & Ohio	23,941,278	29,153,484	15,771,372	54.1
Boston & Maine	8,574,367	9,930,596	9,880,899	99.4
Buffalo Rochester & Pittsburgh	3,057,997	4,076,708	1,949,714	47.8
Canadian Pacific	48,242,326	54,884,026	5,680,574	10.4
Central of Georgia	3,004,853	3,730,853	2,507,389	67.2
Chesapeake & Ohio	9,303,934	11,555,997	8,257,494	71.4
Chicago & Alton	1,900,835	2,194,995	4,078,286	18.6
Chic., Burl. & Quincy	27,840,545	29,800,475	10,369,729	34.8
Chic., & East Illinois	2,692,889	3,803,448	4,252,814	110.9
Chic. Gt. Western	3,303,583	3,478,963	2,233,923	64.2
Chic., Mil. & St. Paul	27,551,003	31,523,542	13,382,797	42.4
Chic. & Northwestern	21,197,277	24,660,769	9,785,756	39.7
Clev., Cin., Chic. & St. Louis	5,867,891	6,649,711	5,794,975	87.1
Colorado & Southern	3,909,365	4,753,642	3,088,328	65.0
Delaware & Hudson	8,663,311	11,991,775	5,013,236	41.8
Denver & Rio Grande	6,450,560	7,698,498	5,501,855	71.4
Erie	16,500,599	22,634,411	15,294,255	67.5
Great Northern	28,676,259	31,884,417	7,525,424	23.6
Hocking Valley	2,355,901	3,161,504	1,245,099	39.4
Illinois Central	11,250,848	17,250,200	10,675,087	61.8
Kansas City Southern	3,493,813	3,677,607	2,031,437	55.0
Lake Shore & Mich. So.	18,069,373	28,366,460	10,991,116	38.7
Lehigh Valley	12,208,137	14,511,892	5,750,063	39.6
Louisville & Nashville	12,913,621	16,330,595	7,950,296	48.6
Michigan Central	9,123,561	10,224,382	6,925,287	67.7
Mo., Kansas & Texas	8,194,318	8,861,739	6,544,753	73.8
Mo. Pacific System	15,049,156	17,512,755	15,947,840	91.9
N. Y. Cen. & Hud. River	25,056,112	42,565,422	26,775,092	62.9
N. Y., Chic. & St. Louis	2,887,278	3,097,993	1,558,199	50.3
N. Y., New Haven & Hart	18,316,855	28,380,640	19,458,402	68.5
N. Y., Ont. & Western	2,691,898	2,904,683	1,693,050	58.3
Norffolk & Western	13,714,499	15,529,444	4,422,803	28.5
Northern Pacific	24,312,633	28,938,506	7,374,988	25.5
Pennsylvania R. R.	39,361,018	58,815,861	18,147,532	30.9
Pittsb., Cin., Chic. & St. Louis	7,833,777	8,688,727	5,954,872	68.5
Rock Island Lines	15,722,818	17,812,047	13,753,692	77.2
St. Louis & San Fran.	13,281,756	14,838,219	15,505,567	104.0
St. Louis Southwestern	3,599,816	4,644,141	2,757,950	59.3
Seaboard Air Line	6,819,938	7,040,002	4,322,068	61.4
Southern Pacific	41,979,484	73,638,088	47,417,826	64.5
Southern Ry.	17,855,715	21,221,686	14,143,061	66.6
Tol., St. Louis & Western	1,255,405	1,354,621	1,269,259	94.4
Union Pacific	21,093,988	45,260,879	10,051,868	22.2
Wabash	6,115,222	6,871,955	6,708,954	97.6
Western Maryland	1,375,873	2,560,795	2,975,768	116.0

As a similar table for 1914 will be published as soon as figures are available, this table will be valuable to preserve as a record for comparison.

Railroads Have Laid Off a Man Per Mile of Road

That makes approximately a quarter of a million less employees than they had a year ago.—*Wall Street Journal.*

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company, For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

American Locomotive.—EARNED THE 7% div. on its $30,000,000 stock with a balance of between $150,000 and $200,000 to the good, or less than 1% on common. Management feels that this is excellent showing. It was possible by fact that Co. had on June 30, 1913, a considerable volume of unfilled orders, and that it booked very large orders during June, July and Aug. of last yr. Entire yr.'s div. was earned in first 5 mos. No profit in business after 1st of Dec. and plants were slowed down to meet decreasing sales. Difficult to predict what the course of Co.'s earnings will be during 1915 yr. It starts out poorly with a majority of its plants shut down entirely and those running are under reduced time. Favorable Rate Case may stimulate business considerably.

Assets Realization.—ARRANGEMENTS under way for the sale of considerable amount of the assets of this Co., which will enable certain features of the reorganization plan to be carried out. Several plans of reorganization have been considered. From present outlook seems that stockholders will have to subscribe funds. Whether this will take form of assessment on present stock or subscription to new stock of a new Co., in exchange for present holdings and cash, not yet decided, although it is understood this plan will likely go through.

American Shipbuilding Co.—INVESTIGATION OF its affairs by a stockholder prompts him to say a large loss has been suffered as a result of the Supreme Court decision compelling the Co. to take back the ships built for Commonwealth Steamship line, but that this has nothing to do with present state of concern's affairs. Present yr. will close with earnings equal to a full yr.'s pfd. div. and a small surplus, but funds have been used to clean up debts left by the old management.

American Smelting & Refining.—OPERATIONS RESUMED in a number of its Mexican plants, which is of vital moment to the Co. Altho Smelters has been earning its common div. with Mexican income cut off, margin above divs. has not been large. In ordinary times Mexico furnishes a quarter to a third of its earnings. In 1912, when Mexican plants operated normally, earnings from that source were approx. a fourth of total gross. Last yr. they contributed about an eighth.

American Sugar Refining.—AVERAGE NET earnings for past 13 yrs. were $6,271,676, whereas div. requirement has been $6,300,000. In 1913 operating net was only $1,015,853. Last yr. the worst in the Co.'s history, was one of unusual conditions, prices having to contend with an abnormally large world's crop of sugar, as well as a 25% tariff reduction. Otherwise the profits would be better. Current season holds better possibilities with advancing quotations and this yr.'s report expected to be much better than that of 1913.

American Telephone & Telegraph.—EMPLOYEES IN current yr. are being kept up to full quota practically, altho gross business is running some ten million dollars more than last yr. If it is possible Co. will cut its construction outlay by 10 to 15%, which would mean spending about twelve million dollars less than yr. ago.

American Woolen.—DIV. DECLARED for quarter, setting at rest rumors regarding its permanency for time being. Co. is now operating at 70% of capacity, and has been maintaining this rate for several wks. 1915 spring lines will probably be open in about a mo. and it is understood prices will be higher than yr. ago. Co. was prepared for the recent rise in wool prices, which will mean considerable to it. Recent decline in pfd. was due to belief that Co. carried a heavy open account with H. B. Claflin & Co. on which it stood to lose a considerable amount. This was proven incorrect.

American Writing Paper Co.—RUMORED RECENTLY that directors had met and taken important action regarding the bonds, which it was surmised was the cancellation of some of the sinking fund or treasury bonds. Motive for doing this is supposed to be a saving in the readjustment of interest charges.

Atchison.—NEW MORTGAGE to provide for future financing on a comprehensive scale is talked about and is believed that if this is consummated it will be a most favorable factor in the consideration of Atchison's stock. Co.'s funded debt as result of conversion no larger now than in 1908.

Baltimore & Ohio.—EARNINGS FOR yr. will fall considerably short of covering the 6% div. on common stock, possibly by

as much as $2,000,000. Expenses for the yr. were augmented considerably by charges on account of damage by floods. All the cost being charged to this one yr. See Divs. and Earnings.

Brooklyn Rapid Transit.—CONVERTIBLE BONDS to the amount of over $5,000,000 had not been exchanged when the privileges expired July 1.

Brooklyn Union Gas.—EXPANSION IN business understood to be about 4%, and an increase in a number of consumers amounting to 400,000 being the cause thereof. Expenses for the yr. increased somewhat by reason of higher prices paid for oil.

Boston & Maine.—ADDITIONAL REVENUE from readjustment of freight rates in that territory uncertain in amount, but it is expected the aggregate will be under $500,000. 1st 8 mos. of fiscal yr. indicated business fell away so rapidly that was impossible to control net earnings, and that a loss of $820,000 in gross was accompanied by decrease of $1,107,000 in net. During last 3 mos., however, management has had expenses under better control. Result of the yr. is expected to show deficit of well over $1,500,000.

California Petroleum.—WELL NO. 3 is again producing 2,000 bbls. daily. This well recently collapsed and was re-drilled.

Chesapeake & Ohio.—11 MOS. ENDED May 31 shows Co. to have earned its full yr. 4% div. with $96,503 to spare. Showing of 5% on stock for whole yr. requires about a half million. Indications are that balance for stock will be about 4½%. Gross earnings for 11 mos. increased $1,504,000. Increases of $1,000,000 in operating expenses and $556,903 in fixed charges brought the period's surplus $51,836 under last yr. Operating expense increased. A quarter of a million more was spent on maintenance of equipment, but $117,044 less on maintenance of way. Hocking Valley, in which Ches. & O. has a large equity, will show about 8½% compared with 17.4% last yr.

Central Leather.—EARNINGS OF THE present quarter are running behind those of the 1st quarter of the yr., yet it is understood they are sufficient to justify the management in declaring another semi-annual div. of 2%. Co. last yr. reduced its mortgage obligations considerably so that int. charges went down by $117,000. This as a result of sale of cut over timber lands.

Chicago & Alton.—DEFICIT FOR THE yr. ending June 30, 1914, will be larger than that for the last fiscal yr. and is expected to be about $2,350,000 and may exceed $2,500,000. Altho the Co. is in this serious condition, it is not expected that anything like a receivership will happen, inasmuch as the Un. Pac. stands practically sponsor for this road, in which it has a dominant interest, and which it is understood has said that it will stand by the Alton until the situation improves. There is little question but that the deficits for the past 3 yrs. have been a serious strain on the Co., but controlling interests are understood to have seen this beforehand.

Chicago, Milwaukee & St. Paul.—EARNINGS ON common stock for 12 mos. ended June 30 last expected to show up about 5⅛ to 6%. This will leave a small sum over div. requirements. For 11 mos. ended May 31, excluding other income, Co. failed to earn its 11 mos. proportion of divs. on common by about $400,000. Estimated that other income for the 12 mos. was in the neighborhood of $2,000,000.

Chicago Great Western.—OPERATING COSTS have been comparatively high, while freight rates are comparatively low. Earned last yr. about 3% on its outstanding pfd. stock. In 1st three quarters of fiscal yr. ended June 30 net earnings dropped about $200,000. Earnings applicable to pfd. stock will probably be about 2½%. Slight improvement in Co.'s operating conditions will put it in position where it can earn and pay continuously the 4% on its pfd. stock called for from this time on.

Chicago & Eastern Illinois.—GROSS EARNINGS of Chicago & Eastern Ill. had fallen off $220,000 by Apr. 30 and by close of yr. est. will have decreased a full half million.

Chicago, Indianapolis & Louisville.—BALANCE FOR divs. for yr. ended June 30 equal to 3.22% on common, of which 3.25 was declared. Net result being a deficit of a few thousand dollars. On June 30, 1912, Co. had profit and loss surplus of $4,187,149, which was reduced in 1913 to $2,497,804. Gross earnings for 1st 10 mos. of current fiscal yr. amounted to $5,797,009, an increase of about $20,000. Net, however, showed a loss of about $113,000. The road is controlled by Louisville & Nashville and Southern Railway Co.

Chicago & Northwestern Ry. Co.—FOR THE first 11 mos. of the 1913-14 fiscal yr. gross earnings were $76,399,257, an increase of $559,363 over the corresponding period of the prev. yr., and net earnings were $18,437,549, a decrease of $880,064. Total income was estimated at $20,885,964, a decrease of $1,475,969 and surplus after fixed charges, $10,984,760, a decrease of $2,235,136.

Chicago Pneumatic Tool.—OFFICIAL SAYS sales this yr. to the middle of June were about 10 or 12% off from last yr., but that the Co. kept ahead of div. requirements by a fair margin. If orders kept on coming as they did in June, div. would be earned double, because second half of yr. is much bigger than 1st half.

Cincinnati, Hamilton & Dayton.—RECEIVERS AGAIN have taken charge of the Co. because int. was defaulted on 1st mtge. and ref. 50 yr. bonds with others. In the petition for receivership devastation due to floods of 1913 and the ensuing pressure on road are given as reason why Co. has been unable to meet its obligations.

Cities Service Co.—EARNINGS FOR 12 mos. ended May 31 available for common stock were equal to 11.54%, as compared with 10.10 in prev. y. Surplus after deduction of divs. for the period was about $915,500 compared with $364,912 in prev. yr.

Consolidated Gas.—OIL SUPPLY from the English interests in Mexico is being talked about for the Co., but the prominent interests identified with it say that it has no especial significance.

Denver & Rio Grande.—FOR 11 MOS. to May 31 surplus over all charges was $622,000, against $1,430,000 in same period of 1913. Full surplus for yr. expected to be about $700,000. Western Pac. for full fiscal yr. estimated will show net revenues of between $600,000 and $700,000. This, together with the Denver's surplus, will be available for Western Pac. 1st mortgage bonds, which require $2,500,000 annually. Denver will have to dip into its treasury if the bond interest is met on Sept. 1. Whether the management will do this or not is a matter now being actively discussed. Denver can get money easily enough by selling securities, but it is not likely to do much of this. Considerable discussion in financial circles of the possibility of a complete readjustment of Western Pac. and Denver capitalization. Solution believed to be a consolidation of the properties, which will scale some securities and wipe out others. About $10,000,000 needed for additional lines as feeders. Denver also needs about $6,000,000 for improvements.

Delaware & Hudson—9 MOS. ENDING Dec. 31, 1914, expected to show such satisfactory earnings as will largely offset the decreases in the 1st quarter, which showed heavy losses. Co. can possibly save considerable in maintenance and on the property generally, as it has not a large amount of improvement work on hand.

Erie Railroad—11 MOS. GROSS revenues showed a decrease of $1,619,003. An increase of $1,827,639 in operating expenses and taxes also occurred, making the prospect for the Co. one where it will barely earn its fixed charges for the yr. 1914. Every economy in the conduct of its business and suspension of all improvement or construction work is being put into effect. The Pres. says that conditions are bad, in spite of cheerful talk to the contrary. Many blast furnaces along the line are closed down.

Federal Mining & Smelting Co.—EARNINGS FOR the 5 mos. ended May 31 were $337,991. Net profit for the 3rd quarter of present fiscal yr. was $219,456. After pfd. div. of June 15 surplus was $39,456. From Sept. 21, 1913, to May 31, 1914, Federal net profits were $600,000 before depreciation. A new process of smelting, which may be used shortly in some of the Co.'s works, is expected will materially increase profits.

General Electric.—HALF YR. ENDED June 30 shows Co. booked new business of about $12,000,000 less than for the same portion of the 1913 yr., a comparative decrease of between 21% and 22%. If business holds at this rate the yr. will show bookings around $94,000,000. About $10,000,000 or slightly over was carried over from 1913, in which yr. orders were received for about $112,000,000, and shipments made of $106,000,000. At the present rate of business yr. will show something like 16% less than that of the previous 12 mos. Plants are running at about 70% of capacity, altho new orders are coming in at about 85%.

Illinois Central. — IMPROVEMENTS costing about $10,000,000 are contemplated, including some better trackage facilities and shortening of routes. Road has just finished a yr. of greatest gross profits in its history. Total revenue was approx. $65,000,000. Operating income shows a good gain, as does also maintenance of nearly $1,000,000. Report for the yr. will be one of the best presented by any of the larger systems. If 1914-15 is as good, it is said a 6% div. payment would be justified.

International Agricultural.—CONTRACT WITH the Tennessee Copper Co. for sulphuric acid rumored to have been modified in such a way as to prove advantageous to the Int. Earnings for fiscal yr. ended June 30 last reported to have been more favorable than in 1913, when int. charges were barely earned. Expected that results for yr. just closed will be sufficient to pay all int. obligations and leave a balance available for the stock. All this is predicated upon the fact that the fertilizer industry during the past yr. has been flourishing.

International Harvester.—REPORTS OF the corporation and the Co. for yr. ended Dec. 31, 1913, the first of their separate existence, show that the division of the old Co. did not materially harm the earning capacity; while $118,249,000 was the total sales of the 2 Cos. for 1913, the decrease of $7,089,104 from 1912 was due to other causes than that of separation. The $6,870,779 surplus for the 2 concerns at the end of 1913, combined with the previous figures, made the total $38,457,328. As to working capital, the 2 present concerns are about in the same condition as was the old Harvester Co. On the whole, the net increase in working capital was $9,581,509. Chicago reports say that the Co. this yr. adopted new sales policy which will save $1,000,000 annually. The corporation is also following largely the same policies in working out economies.

International Mercantile Marine.—YR. ENDED Dec. 31, 1913, showed decided improvement over prev. yr. and permitted a larger appropriation for depreciation on steamship property. A very large sum has been expended in supplying extra appliances and equipment for the vessels of the fleet. Total earnings were $49,041,338 as compared with $43,725,508. Operating and general expenses were $39,474,290, an increase of over $3,000,000, and net earnings were $9,567,047, an increase of $2,000,000, which was

saved for net profit, as there was practically no increase in fixed charges for the yr. Profits for yr. after all charges were $5,716,958, equal to over 11% on the pfd. stock, which compared with 9.72% in the best prev. yr. Profits for the past 11 yrs. have averaged 5.4% on the pfd., but practically all of this has been charged off for depreciation. Generally unsatisfactory conditions have existed up to the present in this yr. and earnings for the period will not be satisfactory.

International Paper.—ADVERSE BUSINESS conditions have affected this in sympathy with all other paper manufacture. Up to about end of June they were making deliveries about 90% of normal, but this demand is showing signs of recession and summer will witness considerable accumulation of stock throughout the country. Co. will naturally show smaller net profits this yr. than last. Little doubt but that present 2% div. on pfd. will be fully earned with a surplus to the good. 1913 showed about 4% of the pfd.

Interborough Metropolitan.—RESUMPTION OF div. on pfd., it is said, would bring about a regular rate of about 5% with 1% extra each yr. on account of accumulated back divs. Belief prevails in some quarters that Oct. 1 will be the earliest date for a possible div. To pay the regular 5% with 1% extra would require $2,744,400, equivalent to divs of 8% on Int. Rapid Transit Co. Int. Rapid Transit will make a better record for net this yr. than in gross. Increase in net after charges will probably be about $1,400,000, equal to a full 4% on the $35,000,000 stock; sufficient to bring profits up to justify the making of an extra div. for the yr.

International Steam Pump.—DECLINE IN Co.'s bonds recently said to have been caused by a belief that the Co. might have difficulty in taking care of $1,100,000 of its notes held by a banking group and which mature in Oct. It is understood, however, that this loan will be taken care of in some suitable way. Understood Co. is earning its int. and s. f. obligations. 8 mos. of the current yr. understood to have been no worse than last yr. Understood that floating debt has been cut down considerably during the last yr. With a reasonable amount of gross business, condition of the Co. would be materially better.

Kansas City, Mexico & Orient.—DISASTERS THAT overtook the road said by New York interests to have been caused principally by the money-raising methods of the promoter. Reorganization plan expected to be formulated and promulgated a little later and property turned over to a new Co. Committee recently negotiated loan of $5,500,000, represented by 2 yr. 6% notes.

Kansas City Southern.—BEST YR. IN Co.'s history concluded on June 30 last with gross approx. $11,000,000. Slightly better than in 1913, and net earnings approx. the same as in 1913. Director states approx. $21,000,000 spent in improvements in 7 yrs. Steady development is predicted.

Kresge (S. S.).—PRESIDENT'S STATEMENT at annual meeting some time ago that Co. would pay 6% on common during 1914 borne out by recent declaration of 3% on the common. Business has not shown any depression so far this yr. and with continuation of sales at present rate last yr.'s record of $13,269,209 will be surpassed. Sales for 1st 5 mos. of current yr. amounted to $5,680,327, an increase of $1,055,182, or 22.81%, over the same period in 1913. Co. is continuing its policy of expansion and now has 106 stores in operation, and expects to open about 10 more during the current yr.

Lackawanna Steel.—DEFICIT FOR the quarter ended June 30 of $338,473 reported. Unfilled orders on June 30 were 128,880 tons, as against 436,675 a yr. ago, showing that this Co., among the independents, has felt depression keenly. Surplus for the quarter ended June 30, 1913, was $1,012,675. 6 mos. deficit this current yr. $783,680, against a surplus in 1913 of $2,022,396.

Lehigh Valley.—NET OPERATING income increased in May for the first time in a yr. The gain of that mo. was 10%. Fiscal yr. just closed expected to show div. requirements covered, with a slight surplus. Maintenance expenditures were pared wherever possible during last yr.

Loose-Wiles Biscuit.—RESULTS THUS far in 1914 very favorable. Gross sales for the first 6 mos. of 1914 said to have been nearly 10% ahead of last yr., same period. Every plant of the Co. is in operation completely and has been for the past several mos. Net profits for 1914 will probably reach $800,000, which would mean a balance of between 3½% and 4% for the common. Large bakery built in Long Island has been somewhat slow in starting, due largely to delays in getting machinery. Gross sales this yr. expected to come somewhere near $16,000,000, an increase of about $5,000,000 in 3 yrs.

Mexican Petroleum.—PRODUCT OF wells was faithfully conserved by Mexican employees during recent disturbances in that locality and not more than 5,000 bbls. of oil were lost. Deliveries to customers were made up to full requirement of contracts with very few exceptions during the first 5 mos. of 1914: A period of 10 days' suspension excepted by reason of the blockade of the port of Tampico. Movement of oil since has been regular. Early this yr. Co. purchased 1,000 acres 20 miles up the Mississippi from New Orleans, where shipping facilities will be developed in connection with the Ill. Cent. Ry. and deep draught shipping.

Missouri, Kansas & Texas.—FOR THE 10 mos. ended with Apr. Co. showed operating revenue of $27,014,311, a decrease of $570,732, compared with corresponding

period of prev. yr. Total operating expenses of $19,535,869, an increase of $489,909, and net operating income of $6,112,028, a loss of $1,300,441.

Missouri Pacific.—FIXED CHARGES for the yr. ended June 30 appear to have been just about earned. Available income for 11 mos. totaled $15,123,000, while fixed charges will amount to about $16,500,000. Outlook for 1915 fiscal yr. is encouraging. Crops in Co.'s territory as highly favorable as elsewhere. Co. has now close to 8,000 cars stored in the crop region for moving the wheat. Management says that Co.'s motive power is in first class shape to take care of all demands.

National Sugar Refining.—RESULTS OF 1913 operations have not yet been made public and rumored estimates of earnings have been moderate to disastrous. Well understood that Co. had poor yr. in 1913, but profits were relatively better than those of Am. Sugar. Co. has not had to take any severe losses in raw material as result of severe price cutting. Directors feel that the full 6% div. will be easily earned during 12 mos. to end Dec. 31 .

New Haven.—GROSS FOR 11 mos. decrease $2,400,000 from last yr., altho it exceeds any prev. yr. For the same period decrease in net after taxes was about $3,420,000, or about 20%. Directors estimate that $20,000,000 spent on the property now could be borrowed at a 5% rate and would permit operating economies amounting to $3,000,000 and a net saving over int. of $2,000,000. Final surplus after all charges in 1914 barely over $100,000.

New York Railways.—GROSS EARNINGS for 11 mos. ended May 31 were $12,684,866, a decrease of $231,017 compared with total for corresponding period of the prev. fiscal yr. Net earnings were $3,622,205, a decrease of $195,212. Total income from all sources was $3,977,029, a decrease of $213,537, and net income after bond int. was $932,149, a loss of $188,961.

Northern Pacific.—BONDS SOLD recently were to take care of $10,000,000 notes maturing early in July and $10,000,000 previously advanced for additions to the property out of the Co.'s treasury.

Norfolk & Western. — BALANCE AVAILABLE for common divs. for yr. ended June 30 last will apparently be about $9,000,000, compared with $10,186,973 last yr. Earnings for 1914 will figure about 8¼% on the average amount of common drawing divs. during the yr. Gross earnings during the yr. held up very well. Surplus for common stock will be nearly 10% under 1913, but well above any other yr.

Ontario & Western.—DIVS. OF 2% on common stock for yr. ended June 30, 1914, suspended. Due to the fact that only about 1% after charges appeared to be available. New Haven, which owns more than half of the common stock, loses nearly $600,000 income by this suspension of divs.

Pond Creek Coal.—INT. ON ITS $2,000,000 6% bonds was earned fully during Apr. and May, for the first time. First 5 mos. of the yr. Co. produced a little over 250,000 tons and is selling all that it produces. Management feels that the turn in earnings is likely to prove permanent and that from this time forth Co. will show an increasing ability to cover fully its int. requirements.

Pacific Mail.—REPORT FOR YR. ended Apr. 30, 1914, shows net earnings of $812,749, an increase of $261,295. Gross was $5,566,131, and surplus after charges $710,841. Opening of Panama Canal will practically put an end to that part of the business, which consists of through traffic between Frisco and Atlantic Coast and Gulf ports. Opening of the Canal is likely to have considerable effect on the Co.'s fortune.

Pennsylvania.—ASKED FOR bids for 100,000 tons of rails early in July.

Pittsburgh, Cincinnati, Chicago & St. L.—EARNINGS FOR 1st 4 mos. of calendar yr. decreased about $1,000,000, or 7% in gross. Net after taxes $1,719,996, was $600,000 better than in 1913. But $1,100,000 behind net for corresponding 4 mos. of 1912. Recent bad showing of road is attributable in no small measure to the serious results of the flood in the early part of 1913. Decline in earnings which brought about the passing of the div. has failed to mend.

Rock Island. — REORGANIZATION PLAN is most drastic. This plan is expected to avoid receivership, altho it is a hardship on holders of the collateral trust bonds. Opposition by some of the collateral trust bondholders to plans of Stockholders' Committee has practically ceased. The present arrangement appearing to be the best under the circumstances.

Seaboard Air Line.—GROSS EARNINGS continue to increase in June, but more slowly than for several mos. previously. For 11½ mos. to June, 1914, gain in gross amounted to $775,786, or 3.3%. Co. will close fiscal yr. with approx. $780,000 more gross than in 1913. Total net income for yr. will probably be $7,344,000, compared with $7,040,002 in 1913, while fixed charges will probably be $4,328,000, compared with $4,054,148 in 1913. After payment of adjustment income bond int. surplus for 1914 will be about $1,766,000, equivalent to about 7.4 on the pfd. stock, as compared with 7.2 last yr. Results are considered satisfactory by the management in view of prevailing business conditions. Every expectation that regular div. will be maintained in July. No talk of any change.

Sealshipt Oyster.—PROPERTIES SOLD at receivers' sale to representatives of a reorganization committee for $725,000 over and above mtges., liens, etc., amounting to $1,321,854.

Sears, Roebuck.—SALES IN JUNE amounted to $6,092,100, an increase of $541,-

462, or 9.75%; for the 6 mos. ended June 30 the sales were $47,901,012, an increase of $2,991,041, or 6.66%. Pres. of Co. denies the directors are contemplating anything in the nature of an extra div. at this time.

Southern Pacific.—11 MOS. EARNINGS show gross $126,975,984, a decrease of $4,154,185, compared with corresponding period of preceding yr. Net earnings of $41,264,195, a decrease of $4,933,173, and net operating income of $34,664,751, a reduction of $6,282,523.

Southern Railway.—EXPENDITURES OF about $20,000,000 will be undertaken in the next 5 yrs., largely to double-track the line from Washington to Atlanta. Expected this new work will result in development of large amount of additional business, both during and after construction. Indications are that pfd. stock div. was earned for the 12 mos. ended June 30, 1914, with a balance equal to about 3% on outstanding common stock. In comparison with other roads the losses sustained in gross and net thus far have been small. Crop conditions in the South were never better and all the Southern roads are looking for large revenues this yr. Crop thus far has experienced little damage in the territory served by the Southern. Outlook for the Southern appears brighter than for many mos.

St. Louis, Iron Mountain & Southern.—EARNINGS FOR 11 mos. to May 31, gross decreased $1,008,424; net increased $167,437. Final net decreased $223,252. Surplus after dividends decreased $223,252.

St. Paul & Sault Ste. Marie.—INCREASE IN capital stock from $43,000,000 to $63,000,000 will be asked of the stockholders at the annual meeting in Sept. Nothing has as yet been disclosed as to the probable purposes for which the proceeds of the new stock will be used. Said, however, that a large part of it will be used for the purchase of additional rolling stock and improvement. The new stock will probably be offered to shareholders on favorable terms.

St. Louis Southwestern.—DIRECTORS HAVE not felt justified in view of the recent results of operations in approving a pfd. div., but it is believed by some that this condition will be passed in comparatively short time.

St. Louis & San Francisco.—FORECLOSURE PROCEEDINGS instituted by Guaranty Trust Co. under 1st and ref, mtge. may not be pressed for 60 or 90 days, according to St. Louis sources of information. St. Louis Stockholders' Protective Committee have sent circulars to stockholders saying they need not fear final action within 60 days and that they believe general business conditions would improve to such an extent that it would be possible to finance road by a reorganization by the stockholders.

Texas Co. — RECENT COMPLICATIONS arising out of peculiar Texas laws affecting the capitalization of the Co. have apparently all been straightened out and the Co. after an explanatory statement of the situation says that there is no litigation threatened by the State or any bondholder and that things are all smoothed out and no misunderstanding exists nor is any controversy about the case.

Third Avenue. — BALANCE AFTER charges for 11 mos. of fiscal yr. ended May 31, including 11 mos. proportion of income bond int. at 5% per yr., was $479,271, while for 6 mos. ended Dec. 31, corresponding surplus was $578,908, showing that in the 5 mos. from Jan. 1 to May 31 total charges failed to be earned by a little less than $100,000. Estimating that surplus this yr. will be $125,000, the 12 mos. surplus after every charge will be equal to about 3.7% on the common stock. Consideration of divs. is in the far distant future, according to the President, who has said so several times. He is absolutely opposed to divs.

Twin City Rapid Transit.—EARNINGS FOR 4 mos. ended Apr. 30 were $2,920,605, an increase of $186,722 over 1913. Net earnings were $1,317,573, an increase of $29,727, while surplus after charges was $801,363, a gain of $26,996. The gain in surplus 3.5% over the corresponding 4 mos. of 1913, if maintained would give a surplus for the yr. applicable to divs. on the common stock equivalent to 8.15%. Not probable that as large a depreciation and renewal charge will be made out of income this yr. as last yr. Earnings from this time on are expected to show much larger gains than in the 1st 4 mos., which were winter mos., and when operating expenses were above normal.

United Cigar Stores, N. J.—DIVS. SO FAR declared this yr. on stock alone is more than sufficient to meet 6 mos. divs. on all outstanding stock of United Cigar Stores Co. of America.

United Fruit.—EARNINGS FOR THE yr. to end Sept. 30 are expected to show 8% on the stock and possibly more. Unfavorable weather and poor business conditions generally throughout the early spring affected earnings somewhat over $1,000,000. A director says that Co. has grown so rapidly and has expanded the field of its activities so successfully that a temporary slowdown will give them time to consider things carefully and will inevitably lead to economies and to the solidification of what has already been accomplished. Co. is not disposed to go hurriedly into the business of refining cane sugars, but will feel the way carefully.

United States Rubber.—NET PROFITS of the Co. for the 6 mos. ending June 30 were at the rate to show the 6% div. rate on common fully covered with some surplus remaining. This surplus, it is understood, was close to the amount of $1,811,000 above common divs. earned during fiscal 9 mos. to Dec. 31 last and the $1,744,000 surplus for the fiscal yr. to Mar. 31, 1913. It is expected that Co. will do even better in sec-

ond half of yr. than in first. A number of its factories are now shut down for a few weeks. The tire and mechanical goods end of the system for the 5 mos. to June 1 showed sales between 6% and 8% in excess of the same period last yr. Rumors of new financing are said to be absolutely without foundation, as the financial position of the Co. is such that new financing is not necessary for a time.

Underwood Typewriter.—EARNINGS for 1913 were not as large as those of 1912. But the surplus on the common was equal to 15.59% as compared with 16.28% in 1912. Divs. remain at 4%. As the special capital surplus reserve has not yet reached the required $1,000,000 mark, before which no more div. than 4% can be paid. Working capital at the end of 1913 yr. was $5,853,747, compared with $4,856,291 in 1912. Sales in 1913 were largest in history of Co. Expansion of business at home and abroad has necessitated opening of new branch offices in all parts of country. Outlook for current yr. is excellent.

United States Steel.—UNFILLED ORDERS for mo. of June amount to 4,032,857 tons, a gain for mo. of 34,697 tons. It was 1st increase recorded since Feb. statement when 5,026,440 tons were scheduled. The last prev. statement showed a decrease for May in excess of 275,000 tons. Report indicated that incoming orders for June were at rate of approx. 31,000 tons a day as compared with an average of no more than 19,000 tons in May. June shipments were about 30,000 tons a day—1,000 tons more than the daily average of the preceding mo. (See Iron and Steel Situation.)

Union Pacific.—DISTRIBUTION of extra div. to holders of Un. Pac. common stock in the form of cash and B. & O. stock was upheld by the Court of Appeals in the suit that the Equitable Life Assurance Co. instituted. Co. is now free to proceed with the payment of the div.

Virginia-Carolina Chemical. — NET PROFITS for fiscal yr. ending June 30 will probably be equal to between $3 and $4 per share on common stock, which compares with ½% in 1913 and 3.2% in 1912. Latest showing is best since 1910 when the balance for common was above 10%. Understood that during the last yr. the Co. made an increase in gross sales of something better than 10%. This very large volume of business is understood to have reached somewhere around the $60,000,000 point and was due to the increased demand in both fertilizers and the varied products of the Southern Cotton Oil Co. Gross business is about equally divided between these two branches of operations.

Vulcan Detinning.—BUSINESS of the Co. is about same as it has been for the past few months. Orders are coming in in fair volume but not satisfactorily. Main obstruction to good business is the unusually low quotations in the tin and steel markets. Business of the Co. is greatly unsettled.

Westinghouse Electric.—STRIKE in the Co.'s works is practically over. Most of the employees having returned under practically unchanged conditions. In a general way they lost the contest. Est. that the strike cost the Co. at the rate of between $2,500,000 and $3,000,000 of gross business per mo. and about $300,000 of net profits.

Western Maryland.—FIXED CHARGES were not earned last yr. by more than $514,000. They were heavily increased during the yr. Deficit for 1914 is therefore likely to be anywhere from $2,000,000 to $2,500,000. Co. has been improved physically during past yr. by increased expenditures but is yet in a considerably demoralized condition. Large interests identified with the property are said to have indicated their intention of seeing the Co. through its difficulties and will probably advance more and more money until this condition has been reached. But the property will need long and careful nursing before it is anywhere near self-supporting.

Western Union.—EARNINGS THIS YR. have not been showing the customary expansion in gross due entirely to general poor business. Co. has secured a very firm grip on operating cost and the reduction in cost of doing business is helping considerably to offset the decrease in gross. If 1914 results as favorably as would appear from the 1st 5 mos.' operations a creditable expansion in net profits will be the outcome.

Wheeling & Lake Erie.—11 MOS. RESULTS to May 31st show net earnings of approx. $2,181,000 and indications are that total for yr. will be about $2,300,000 with which to pay taxes, int., receivers' certificates, rentals, etc. Altho these available net earnings this yr. will be in the neighborhood of $350,000 ahead of last yr.'s figures, the Co. is nevertheless operating at a deficit. Prospects for a reorganization of Co. are no more hopeful than they were a yr. ago. It appears to be a long way off. Plans for reorganization are being constantly discussed but they never get beyond the talking stage.

Willys Overland.—POLICY OF CO. changed somewhat in view of the fact that it is now manufacturing a new model 6 cylinder car to retail for $1475. Spending about $600,000 on its Toledo plant to enable it to manufacture this new model. Output of 4 cylinder cars will not be altered. 6 cylinder operations represent an increase in output. Up to June 1st Co. had made and sold 41,500 cars, so that fiscal yr. will very likely result in an output of at least 45,000 cars as predicted by management sometime past.

Woolworth. (F. W.)—GROSS SALES for June were $5,473,812 against $5,147,446 in corresponding mo. of 1913, an increase of approx. 6.34%; from Jan. 1 to June 30 sales amounted to $30,613,752, compared with $28,350,570 in 1913, an increase of $2,263,181 or 7.98%.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Anaconda-Amalgamated. — Reports for purposes of taxation show a net income for 12 mos. ended June 1 of but $8,613,564. This compares with $11,446,901 last yr. Anaconda's leaching plant for re-treatment of tailings is approaching definite form. Estimates of profit from re-treatment varies. It would seem, however, that a recovery of 10 lbs. to the ton, with a cost of 8 cents, were conservative. On this basis, Co. would earn annually, on 14 cent copper, about $1,680,000, which would amount to 35 cents per share on Anaconda, or 70 cents per share on Amalgamated. In addition to this, the round table slime plant, in operation since March, has been recovering 1,300,000 lbs. per mo.; later recoveries have run as high as 55%. Cost of the copper produced from this is very low and earnings from this source should be about $1,500,000 additional. Anaconda has declared a regular quarterly div. of 75 cents a share, payable July 15 to stock of record July 3.

Braden.—In May Co. secured the best results from mill operations thus far this yr., with a recovery of 75.36%. This compares with 69.90% in preceding mo. and 72.18% in Mar. The production of 2,480,000 lbs. in May was exceeded but once—the April output having been 2,720,000 lbs. Costs, which got down to about 9½ cents early in yr., have since risen due chiefly to smelter troubles. Inability to keep smelter in constant operation has tended to restrict operations and increase costs. Co. met fixed charges with a slight balance to the good the first half yr. which ended June 30. Co. does not issue financial statements, so that exact figures are not available.

Calumet & Arizona.—Output continues at very large figures, that for June, 5,682,300 lbs. In first 6 mos. of this yr. production has been 33,257,300, as against 25,213,000 in 1913. Presumably this represents the production merely from the Cal. & Ariz.'s own mines. If it does, the Co. must be earning well in excess of its div. requirements, even on 14-cent. copper.

Consolidated Copper Mines.—This Co., which was organized only a yr. ago to merge the Chainman Consol., Butte & Ely, Giroux Consol. and Coppermines Co., reports for period between May 20, 1913, and Apr. 30, this yr., earnings of $473,073. All this came from the Giroux properties. Expenses of mining were $467,259, leaving a profit of $5,814. Other expenditures were $178,944, however, which converted the small profit into a deficit of $173,130. The Co. has on hand $21,199. Col. Wall, who recently applied for a receiver, has withdrawn the application, and the four directors whose terms had expired have been reelected.

East Butte.—A conservative estimate of production in ensuing months of 1914 from its own ores is 950,000 lbs. monthly, or 11,150,000 lbs. for the yr. 1914, an increase of 1,500,000 lbs. over last yr. A very rich streak of high-grade chalcocite or copper glance is being opened on the Dutton. It runs 6 ft. wide and 6% to 7% as mined. It is on the 600 level.

Goldfield Consol.—Co. exercised, on June 25, its option on property of the Aurora Consol. Mines Co. of Aurora, Nev. Goldfield acquires 592,000 shares, or 87% of the issued stock, for which is paid $763,000. The "Aurora" consists of 52 patented claims, which was one of the boom camps of Nevada over 50 yrs. ago, and again began operations over a yr. ago, and it is estimated that there are blocked out over 1,000,000 tons of ore averaging $5 in gold per ton. Including mill, there has already been spent on the property over $800,000. Actual Goldfield Consol. results for June, 1914, shows 25,924 tons of ore mined, with net earnings of $140,000.

Granby Consol.—The new smelter at Anyox has increased to 1,500 tons of ore daily, although by end of yr. the plant should easily handle 2,000 tons. In Aug. the first refined copper from the new property was to be ready for market, but there is already available 1,500,000 lbs. of Hidden Creek product in addition to regular contribution from Grand Forks. Co. has under consideration acquisition of a quartz property which carries copper, gold and silver values. The precious metal contents of Hidden Creek ores average richer than had been anticipated.

Greene-Cananea.—Property conditions remain satisfactory. Co. could increase production, but the slack demand for metal has deterred taking such a step. Output in May from its own ores amounted to 1,487,000 lbs. of copper, 71,836 ozs. of silver and 369 ozs. of gold. From custom ores, other than Miami Copper, 438,000 lbs. of copper, 12,442

ozs. of silver and 76 ozs. of gold. The question as to favorable action on divs at meeting this mo. will depend upon the turn which the labor troubles take in the meantime.

Miami.—Co. produced approx. 20,043,056 lbs. of copper in the half yr. ending June 30, at a cost of slightly less than 9 cents a lb. This cost was the lowest in any like period, while output showed a gain of about 4,000,000 lbs. over last yr. There were mined and milled about 639,614 tons of ore, which yielded an average of a trifle better than 31 lbs. of copper per ton.

North Butte.—The income for 12 mos. ended May 31 reported at $1,294,000 as against $1,613,046 last fiscal and $1,437,777 for calendar yr. 1913. This amount is still in excess of the div. rate, being equivalent to about $3 per share, as against $2 paid. The Edith May vein has been cut on the 2,800-ft. level and carried 3 ft. of ore running 5% copper; the working had cut 3½ ft. of ore showing 12½% copper and 13 ozs. in silver. It is another demonstration of the established fact that veins of the camp carry values to great depth.

Nipissing.—Co. has declared regular quarterly div. of 5% payable July 20, which calls for $300,000 and will make a total of $11,940,000 paid since organization. Co. reported that on May 31 it had cash, ore and bullion on hand amounting to $1,355,870, of which $865,318 was in cash. Four months' net earnings approx. $610,000, while div. requirements at the 20% regular annual rate were but $375,000. Co. operated at a profit estimated for mo. of May at $150,000, from the operations of Co.'s own mines. The mill which Nipissing erected a yr. ago has lately started to treat on a custom basis, ores from Kerr Lake and other properties. This business, it is estimated, will increase Nipissing's profits by about $200,000 annually. The net profits of $886,458 in first half of this yr. exceeded div. requirements by $286,000.

Old Dominion.—The payment of a "special" div. of $10 per share by the Old Dominion Co. of N. J. was from money recovered from A. S. Bigelow and should not cause holders of the "trust receipts" to jump at conclusion that they will also immediately receive the long looked for "plum." Temporarily, at least, any div. to the trust receipt holders will be held up pending a decision to the Mass. Supreme Court for a review of the litigation. A substantial portion of the Bigelow money is now in hands of the Old Dominion "trustees." It amounts to about $10.75 per receipt.

Ray Consol.—The May output was 6,495,719 lbs. This exceeds by more than 200,000 lbs. the high record of the prev. mo. In the first 5 mos. of 1914 Ray has produced over 30,000,000 lbs., as against 21,346,000 in 1913. The management predicted a cost lower than 9 cents a lb., so that current costs of but little more than 8½ cents are peculiarly gratifying.

Utah Consol.—Directors have declared a div. of 50 cents a share. The previous div., $1, was paid Mar. 21, 1914. Div. is payable July 27 to stock of record July 11.

Utah Copper.—With conversion of $2,500,000 Bingham & Garfield bonds into Utah Copper stock, entire earnings of the railroad will accrue to Utah Copper Co. Hitherto only 20% of net earnings of the railroad were available for divs., all of which is owned by the Utah Co., as 80% of railroad's earnings had to be reserved for retiring the bonds. The difference now directly available for the Utah Co. treasury will amount to 50 cents per share per annum on that Co.'s stock. The Co. stands alone among producers of the world in ability to mine and mill a ton of ore for less than 70 cents—and this includes 7½ cents for stripping. Henceforth the Utah Co. will mine by steam shovel only and mining cost for 1914 should show reduction. Co. is now paying $3 in divs., and earning them twice over on 14-cent copper, but an increase is not probable before Dec. meeting or while the Co. is a borrower of money. With production of 150,000,000 lbs. per an., Co. needs a large cash balance to carry, say a four months' output from the time ore is mined in Utah to marketable form from the eastern refinery. Based on present production and a cost of 7½ cents, Co. is earning nearly $9,500,000 per an. In addition to this, the income from Nevada is $1,500,000, making a total of $11,000,000 or $6.75 per share.

Wolverine.—Co. ended its fiscal yr. June 30 with a small profit from the 12 months' operations—perhaps $100,000. Co. has not paid divs. for a yr. Last fall, while the mine was closed, Wolverine had liquid assets of $700,000, of which $500,000 was cash. Production for the June 30 yr. was 3,935,000 lbs., as compared with 8,350,000 lbs. in preceding fiscal period. In the yr. just closed, however, the mine was idle for 5 mos.

Mining Notes.—The Copper Producers' Asso. reports stocks of copper on hand July 1 as 106,110,663 lbs., an increase of 21,768,022 lbs., compared with 84,342,641 lbs. on June 1. Production and deliv. as follows:

	June.	May.
Production	141,345,571	142,308,287
Domestic deliv.	46,227,353	55,592,170
Foreign deliv.	73,350,196	72,710,477
Total deliv.	119,577,549	128,302,647

OIL DEPARTMENT

Oil Investments from a Practical Standpoint

No. 2.—Transportation of Petroleum

By JO. P. CAPPEAU, Jr.

This is the second of a series of articles of this character from the author, who has had large experience in oil investments. They will take up the subject in all its principal aspects.—EDITOR.

WHILE the profits of the producer and refiner have fluctuated with the markets, the transportation end of the oil business, by pipe lines especially, has shown a stable and enormous profit to date and in comparison with the amounts invested and risks run has been the most desirable end by long odds. There is no doubt but that the success of the Standard Oil Co. was directly due to the fact that it had absolute control of the transportation facilities for crude oil and were therefore in position to dictate the price, as their pipe line systems, the most efficient and economical method for transporting oil yet devised, extended from the Gulf of Mexico to the Atlantic Seaboard.

The history of the transportation of crude oil, from the early days to the time that the Standard Oil gained control of practically all the pipe lines, is of no small interest. The first oil was placed in barrels and hauled by teams to rail or water transportation, which method was not only slow and expensive but also inefficient, due to losses in handling, leakage and evaporation. The first pipe lines were crude affairs, of small capacity, operated by gravity, and running only to rail or water transportation, but they did away with the teamster and saved time and loss in handling.

The first pipe line was charted in February, 1862, and ran from a point below Titusville, to the mouth of Oil Creek on the Allegheny River, where the oil was loaded on boats, while the first line to use pressure pumps was put into commission a year later and ran from the Tarr Farm to the Humbolt Refinery at Plummer, Pa. By 1865, there were a number of small lines in use which only ran, however, from the fields to the nearest refinery or nearest point where rail or water transportation could be secured. The oil was still transported in barrels by the railways, but soon the first tank cars, having two small tanks at either end of a flat car came into use. However, new fields were being opened up and pipe lines increased in number and capacity, but still continued to use individual refineries or railroad points as terminals. This increase in railroad transportation led to rebates to the principal shippers and as rates were still very high, the first pipe line to tidewater was proposed, and after considerable opposition by the railroads, the Tidewater Pipe Line Co., to Bayonne, N. J., was completed in June, 1879. In 1881, the Standard built their first seaboard line, the New York Transit Co. Previously, in 1887, the first consolidation of pipe lines was made under the name of the United Pipe Lines, which was later sold to the Standard.

Other seaboard lines were later constructed by individuals and then ab-

sorbed by the Standard. As the business extended and new fields were opened up, new pipe lines were constructed, but by this time, mostly with Standard Oil money. The Trenton Rock Field in Ohio was opened in 1885, the Indiana field in 1890-1891, and Illinois in 1905-1906, which brought about the Buckeye Pipe Line Co., Indiana Pipe Line Co., and the Ohio Oil Co., while the lines from Oklahoma to the Gulf by the Texas Co., and Gulf Oil Corporation and line to Illinois by the Prairie Oil & Gas Co., were not started until 1907, there were pipe lines in Oklahoma prior to 1900.

Pipe Line tariffs have decreased constantly since the days when the cost of transporting a barrel of oil from the field to New York City ran as high as $5.50, and a run of four times this distance today would cost less than a dollar. Improved pumping machinery, larger lines and a more efficient gathering system are responsible for the changes.

Refined oil was first transported by pipe lines in this country in June, 1891, via United States Pipe Line Co., although refined had previously been transported through pipe lines in Russia.

Pipe Lines are easily divided into two classes, those having no field gathering systems, that is, which collect no oil direct from the wells and are dependent on other lines for their supply of crude, and which are known as trunk lines and those which collect the oil from the wells and deliver same either directly to refineries or other pipe lines and are known as gathering systems.

The main line of a trunk system may consist of a single line, of two and sometimes more lines laid in the same ditch which may or may not be of the same sized pipe, or of a single looped line. A pipe line loop is additional pipe laid from the pump station for a certain distance along the main line, or vice-versa, and as a rough rule a loop of the same sized pipe half as long as the distance between pump stations will increase the discharge capacity of the line 25 per cent. The motive force is supplied by pump station, placed at convenient distances along the line, which depends on the character of the country, the rougher the typography, the greater the friction, and consequently the less distance between stations, and also on the gravity of the oil to be transported.

Some Mexican and California pipe lines have stations very much closer together, topography of the country considered, than lines in the East, on account of the heavy oil they have to transport. The oil leaves the pumping station under a pressure of from 600 to 800 pounds, and will arrive at the next station with no pressure and in many cases, a small vacuum is necessary. The greater the pressure, the size of pipe remaining the same, the greater the discharge. The larger the diameter of the pipe, or the more loops on the same sized pipe, the larger the discharge.

A gathering system may be likened unto the human blood system, the field pump stations as the heart, the branch lines as the veins, and the main line as the arteries. As a rule, the main line of a gathering system runs as nearly as possible though the center of the district served. Branch lines of more or less length run from the main line to different oil pools, where a field pumping station is usually located. From this field pumping station, the gathering lines run to the different properties connecting with the producers' tanks and the oil either runs from the tanks to field station by gravity or is forced through the lines by donkey pumps on the individual leases. The oil is then pumped through the branch line to the main line and thence to the most convenient point for delivery.

The cost of pipe line construction varies greatly, according to the nature of the country covered, but as a rough rule, the cost of ditching, laying, and covering an 8 inch line will run around $1300 per mile, for 6 inch $800 to $900 per mile, and for 4 inch from $400 to $500 per mile. To this must be added the cost of the pipe which varies with the markets and also the proportionate cost per mile of the pump stations which will average 1 station for each

20 to 50 miles of line, depending on the roughness of the country.

The items of running expenses are pumping charges, repairs to main lines and machinery, and depreciation of plant in a trunk line and same plus cost of new extensions in a gathering system. Although it has been often said that an oil field is useless without pipe line facilities, it is just as obvious that a pipe line is not even an ornament with no oil to fill it and with a gathering system, there is a continually taking up of old lines and laying of new ones that involve expenses that are not experienced by trunk lines. This is specially true of a line operating in a country where new pools are being constantly opened up and the aggregate of the new lines laid in a year by a company like the Prairie Oil & Gas Co., is simply enormous.

In considering a pipe line that has no field gathering system, and is entirely dependent on other lines for their supply of crude, there are four points that will give a fair basis of comparison between different companies. In order of importance, they are length of the haul, which is dependent on the delivery points; size of the lines which determines the amount they can deliver; the amount of competition they encounter; and the geography of the country traversed by the lines. It is obvious that the longer the haul on the same amount of delivery, the larger the apparent profits should be. But as the pipe line returns are given only on the gross amount delivered and delivery points not mentioned, it is of prime importance that the prospective purchaser find out as nearly as possible where deliveries are made by the pipe line under consideration. With the Standard Oil pipe lines, a general idea of the deliveries may be formed by looking up the refineries located along the line under consideration and the amount of their capacity. Deducting this amount from the total deliveries will give a fair idea of the amount delivered at the terminal of the pipe line and consequently the amount carried for the longest haul.

This method, although crude, is practically the only test until detailed reports of deliveries can be obtained. As the capacity of a pipe line varies directly with the size of the pipe used, the larger the diameter of the pipe, the larger the amount of oil that can be delivered, it is apparent that if two trunk lines with practically the same haul are under consideration, the line with the largest capacity should show the largest earnings. However, this point is of rather minor importance, as the difference is usually adjusted by their capital accounts.

The third point, that of competition, is a theoretical rather than practical one at this time. However, it is worth while noting there are five lines across Pennsylvania, all of which have practically the same ultimate delivery point, namely, Greater New York, while there are but two trunk lines across Illinois, Indiana, and Ohio and but one line from Oklahoma to Illinois. From Oklahoma to the Gulf there are three main trunk lines. As oil is forced through the pipe lines by pumps, and the operation of the pumping stations is probably the most expensive item of the running expenses, and as the number of pump stations along a line varies directly with the roughness of the country, it is obvious, that all other things being equal, a trunk line running through a prairie or practically level country will have a much lower operating cost than one crossing a range of mountains or through a broken country.

Gathering systems are also for all practical purposes trunk lines also, as they usually transport the oil gathered directly from the wells to the State line at least of the State they operate in, so that the foregoing remarks on trunk lines may be applied to gathering lines also. Although no reliable figures are published regarding gathering charges in the different fields, a close analysis of the pipe line reports would indicate that this end of the business is most profitable, and all things considered, a pipe line combining a fair trunk line business with a gathering system would be preferable to either a trunk line, pure and simple, or a gathering system with a negligible trunk line haul.

(To be continued.)

Standard Oil Notes

Pertinent Pointers for Those Interested in Oil Securities

It is a curious fact that two of the highest priced stocks in the Standard Oil group are the ones which are paying no dividends. Nevertheless, the holders seem to cling to them tenaciously, with unbounded faith that their patience will be well rewarded some time. They know that both companies have tremendous earning capacity compared with their capitalization, and they are confident that sooner or later the stockholders are bound to benefit from these earnings. The companies referred to are the Atlantic Refining Company and the Prairie Oil & Gas Co.

PRACTICALLY all of the pipe lines proper, such as Buckeye, Eureka, New York Transit, National Transit, etc., are intrastate companies, that is, their lines do not extend beyond the respective borders of the states in which they operate. When it comes to the state line the oil is transferred to the pipe lines of other companies. The pipe line companies proper are now, theoretically at least, common carriers, and they have conceded that much by filing rates with the Interstate Commerce Commission in Washington.

THE FLAME AND THE MOTH

An Old Story About to be Retold

COTTON DEPARTMENT

The "Futures" Market

The Important Part Played by Speculation

By THOMAS SINCLAIR

SPECULATIVE operations in cotton should require little explanation or argument in these days of advanced commercial development, and yet a large section of the community does not appreciate the important part speculation plays in the marketing of this most important of all the commodities. If the size of the crop was absolutely determined each year, and if the world's requirements for consumption were known in advance, the need of speculation would not be so apparent. With these two features unknown, however, the element of speculation must always be present. Speculation in cotton is intensified by the fact that so much of the staple is consumed at a great distance from the fields where it is grown. The seed is planted in the southern states in April and May, the crop is picked and prepared for the markets in August, September and the following months. It is then forwarded to all parts of the world for distribution. There it is sold to the spinners to be manufactured into goods. They in turn distribute the goods the world over for ultimate consumption. These various processes take time, and it is computed that six months elapse while cotton passes from producer to consumer. During this period farmer, middleman, merchant, spinner and dry goods merchant are all subject to risk in their separate business, and their greatest aim is to minimize this risk as much as possible. This they are only able to do by distribution through the various "Futures" markets.

In the early days of the business, means of communication were slow, but the laying of the Atlantic cable and the rapid development of the telegraph and telephone commenced a new era. Merchants abroad found they were able to determine more nearly the arrival of vessels with the raw cotton, and they began to sell cotton to spinners "to arrive." This dealing in "futures" rapidly increased and the New York Cotton Exchange and the Liverpool Cotton Association were founded with the object of facilitating these operations and gathering important information on the movement of the crop and its growth.

Dealing in "futures" on the exchanges not only distributes the risk but enables the operator to shift his risk to others immediately. This is where speculation plays a most important part. During each season prices fluctuate several cents per pound. These fluctuations are often frequent and violent owing to the attempts of buyer and seller to anticipate supply and demand. The risks are greater on such occasions, but the speculator bears his share along with the merchant and spinner, and in the end the larger risk is borne by the one most able to bear it.

The growth of the business since the Civil War has been enormous. In 1871 the American crop was 3,000,000 bales, in 1880 it had doubled to 6,000,000 bales. In 1904 the crop was 13,600,000 bales, while in 1911 the production totaled 16,000,000 bales.

The increase in consumption has more than kept pace with production. In 1901 the cotton spindles of the world were estimated at 107,400,000, in 1907

the total increased to 124,300,000, while this year fully 145,000,000 spindles are in operation, and these are estimated to consume over 14,750,000 bales of American cotton.

In 1908 the United States Commissioner of Corporations issued a special report on the operations of the various cotton exchanges and made the following statement:

"Dealings in cotton must always be accompanied by risk either to the producer, the merchant, middleman, the speculator, or the spinner."

The usual commercial risks are taken by all the varied interests who handle the commodity, but in the main the risks of anticipating the supply and demand are carried by those who create or hold "futures" without a hedge. These are the speculators, who operate on either side of the market, and without them the fluctuations would be more extreme. Their buying and selling tend to steady prices by producing a diminished range of movement, less deviation in movement and less variation from the average. Consequently the anticipatory efforts of both buyer and seller are large factors in determining the price. The rainfall in the South, the acreage, the temperatures during the growing season, the frost date in the fall, are all important in determining the size of the crop. These are reported from day to day throughout the season, and dealers operate accordingly.

It can readily be understood, therefore, how important it is to have reliable information, and, to have it immediately.

Rain in Texas will often change sentiment from one side of the market to the other, while an early, killing frost in the belt will completely alter the outlook for the entire season. The vicissitudes of the crop, however, make the market, and only the alert operator can expect to use them to the best advantage.

The Cotton Market

Decided Change in Sentiment

THE Government report of July 1, showing about 5 per cent. improvement in the month of June, was better than generally anticipated. The heavy rains in Texas were followed by dry, warm weather, while the drought in the Eastern belt was relieved by copious rains. Reports from the South, consequently, indicated a great change for the better in crop conditions. Many operators who had been freely predicting 14 cents for cotton, changed their tune, and liquidation by the bull interests quickly brought about a decline in prices. In addition to the improved crop accounts, the market was affected by pessimistic reports of trade abroad. The International Federation of Spinners advocated a short time movement, silver declined in London, and British exports showed a decrease. The failure of a large dry goods commission house here added to the bearish sentiment, and the market is now left with very few operators on the bull side.

The reversal in sentiment, although gradual, is nevertheless very decided, and the Government report to be issued on July 31, is expected to be bearish.

Spinners are not buying extensively for the new crop deliveries, but they are expected to come into the market on further declines. The selection of good, spinnable cotton in the old crop is very poor. Although the visible supply is larger than last year, it consists of a quantity of undesirable cotton. Any indication, therefore, of a late movement of the new crop would cause anxiety among spinners. It must not be forgotten, however, that August is the critical period, when the plant reaches its maturity, so that the weather news will predominate as the important feature.

A short interest is accumulating in the new crop options, especially in New York, and after a decline of over 1 cent per pound it would be well to exercise extreme caution on the bear side of the market.

TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Learning to Trade Wisely

Observations from Experiences in Active Market

(Concluded)

By OLIVER GRAY

THE beginner should read regarding the technique of trading, but let him stay out of the market afterward until what he has read has time to mellow. During the time when he is actively trading he should concentrate all of his attention upon the market, upon himself, his records, the why and wherefore of his successes and failures. Every trade that he makes, be it profit or loss, should be studied and analyzed, and compared with other trade, and once he has found he can do certain things more profitably than others, let him stick to them regardless of what anybody else says about doing those things.

At one time I read so much upon the subject of stopping losses that I found it was affecting my trading. I became so interested in reducing the size of my losses that bye and bye I was taking no profits at all. I dare say that the cupidity of many traders will keep their eyes sufficiently open to profits so that they will have no such experience as mine. And yet the calm, collected temperament that can trade as one would experiment in chemistry needs to concentrate his thought on the profit side and look at the stopping of his losses merely as a matter of insurance.

My first experience in office trading ran through a period of four months, and left me very much discouraged. For one thing I had been going at it too strong and trading too frequently for a beginner—also over-trading—biting off huge mouthfuls when I should have been nibbling. I had been trading with desperate energy as if it was a serious business instead of an experiment. One must work, indeed, if he wishes to succeed in trading, but he must not take himself too seriously in the beginning. Sooner or later his early floundering will appear ludicrous.

Trading is not only a matter of weighing and balancing a number of inanimate indications one against the other, but one must learn to weigh and compare and judge the opinions of men. Because all men are not right in their conclusions all the time, it does not follow that one must become a cynic and close his ears to their utterances. One's mental attitude should be this:

"Among these men I meet daily there are some who are right 60 per cent. of the time. So I will seek to separate them from the others. And among these men who are right 60 per cent. of the time there are some who on certain phases of the market are right 90 per cent. of the time. They are specialists. So I will strive to learn the specialty of each one. Yet all the time observing carefully all the inanimate factors, endeavoring to develop my own independent reasoning so that I may be able to give to others as much of sound judgment as I take from them."

Price movements are simply the reflection of the opinions of the majority of men participating in the market. The

personal factor is a most important one in speculating. Contact with persons who know, intelligent discussion of the market in action from day to day, one must have in order to become proficient. If he is not able to get this from his fellow speculators or from his broker (and he seldom is) he should get it from the utterances of some clear-headed writer and student of the market such as are to be found in the "Trend Letter."

In November, 1911, my records showed me that I had "turned over" 3,465 shares total, and dropped $3,052. This, I concluded, ought to hold me for a while, and I quit the "big market."

My next experience was trading in "outside securities." I spent nearly a year in the office of a firm who dealt and traded in unlisted stocks and bonds. From this I gained a thorough understanding of how a market is "made," and just what factors render it possible for you or I to get, say, 64 for 100 shares of Steel, or purchase it at 64⅛. It served to elminate the anthropomorphic "they" from my stock market cosmos altogether, and gave me a real understanding of the combination of fundamental, technical, statistical, mechanical, sentimental and manipulative factors that combine to make the quoted price of a stock or bond.

The trader in inactive securities is in sorry plight when the stock market is slumping, for in these times there is no market at all in a large percentage of outside issues. (This does not refer to curb stocks, but to those dealt in "over the counter.") Yet this market would be an ideal one for some temperaments because it is impossible frequently for a man to jettison his cargo in the midst of a panic. There is less sacrificing of good securities at low levels by those who purchased them at higher ones. On the other hand the wide variances between bid and asked prices, the haggling over the telephone and the prevalence of "subject" quotations are somewhat distasteful to a trader who has enjoyed the ready and open market that prevails on the New York Stock Exchange.

For a while I thought I was done with the listed stock market altogether. But after a year I heard the call more persistently than ever. So I went back and traded for a while in the Fifth avenue office of my old brokers. I found that the manager had ceased to handle discretionary accounts altogether, devoting his activities to getting business and selling puts and calls. His former bookkeeper, whom I met recently, told me the manager had organized a pool among a number of young millionaires who used to idle in his office and started into trade in Reading, 5,000 shares at a clip. They were caught short and unmercifully squeezed, which accounted for his abandonment of trading.

I found this environment even less to my liking than before. The house advertised a great deal, and had a constantly changing clientele. I presume on the average their clients lost a great deal more yearly than they made. This may have accounted for the firm's attitude toward customers, which, while polite enough, was somewhat cynical. "Mental atmosphere" counts in trading.

The "dope" they got from the floor was meagre. In their early days the firm's floor member had been considerable of a hustler, and his interest in the execution of a hundred share order as keen as for larger ones. With prosperity he had become independent, confining his attention to 1,000 orders, and to maintaining the firm's prestige and dignity on the floor of the Exchange. The most of the information that we got came from two dollar brokers or specialists, and could be summarized thus: "There is heavy selling," or "Looks like good buying," or "Market is quiet."

So I made another change of brokers, and this time found conditions ideal for calm and methodical trading. There are two partners in my present firm, both of them members of the Exchange. One of them is always on the floor. They have a number of large institutional accounts, and also do a considerable clearance business for other houses, primarily for large operators who wish to "conceal their hands." But they have no quotation board, no dapper "business getters" full of misinformation and posing as oracles, no bunch of noisy customers to make one think of a flock of crows on a rail fence.

Our office is quiet. From where he

sits at the ticker one can call out his orders to the order clerk.

For a long time I ran a half-point line chart of Reading, Union and Steel on a little pad, keeping it up to the minute from the Tape, and transferring it from the pad to a permanent record as often as the pad became full. I found, however, that this interfered with my trading as it tended to center my attention on the chart at critical moments. Instead of watching the action of the market on the Tape for suggestions or walking the floor and reasoning the situation out in my mind, so as to determine what to do, I would find myself holding my position and studying the chart while the market moved away underneath my nose. Perhaps some day when I am more experienced, I shall be able to use such a line chart to advantage. It seems to me it should be especially valuable in placing close stops.

Now I keep a set of charts showing the weekly volumes and range of 50 active stocks composing the *Times* average, together with a number of others. I also keep a daily trend block chart of the *Evening Sun* and *Times* averages, together with the three leaders, Reading, Union and Steel. These are of great value as records. I have never been able to get any degree of inspiration as to future market movements from the "mechanical indications" of charts, but I do not see how a learner can get along without some sort of graphic record of the past movements of individual stocks and the market as a whole.

When I read my charts I do so, not in terms of *conclusion*, but in terms of FACT. That is I do not endeavor to make the lines and marks "say" that the market is going to move up or down. Instead, after looking over the charts, I say to myself something as I said on February 10: "The records show that there has been a steady decline of the price averages since the climax on January 23. Also the volume of trading is decreasing, the market is becoming narrower. Reading is declining, Union is not advancing, Steel is 'tapering off to a point.' Bullish activity seems to be in the minor stocks. Now, what do these facts indicate?"

At first the only way I could trade with peace of mind was to keep away from the ticker—out of a broker's office altogether. At the Tape I was fearful and nervous. If the market made a sharp move I was in a torment lest I had missed an opportunity, and when I got in I would quake with fear that the market would go against me. I had a good abstract knowledge of market conditions, but I could not recognize them in the concrete. That is I could go back over a chart and pick out a rally or a reaction, or a "trading position," but I could not recognize them when I saw them before me on the Tape. Now I am as calm as if the stake were ten cents a point, and I have a fair idea of what the market is doing each day with relation to what it has done.

My original unit was one hundred shares. Now I am trading with ten shares. I shall not increase my trading unit above ten shares until I can do so out of profits. I have taken a few fliers in "round lots" since I first concluded to settle down as a ten share piker, but fate always chose that particular occasion to "hook" me for the fattest loss of the campaign. Now I am reconciled and willing to be modest, and let the wiser fellows make all the money they want—except they shall not take mine.

In the beginning I was a steady and consistent loser. Now I am able to pay my commissions and tax, and to break even. As time goes on, and I evolve a method out of what is now a more or less unmethodical way of making my ventures, I am convinced that my profits will average higher, and I shall be able to increase my unit. Until then I am patient. For so long as one has food to eat, a roof over his head, and knows that he is accomplishing something each day—why should he worry?

I look upon my work now as a line of experiment to work out a solution to a problem that has been successfully solved by others. My only emotion when I take a loss is one of discontent with myself for my poor judgment, and a desire to do better next time.

When I commenced trading I was greedy to make money out of speculation, to feel the money in my fingers; that was what led me into it. Now I am indifferent to the money side of it.

A Successful "System"

By THOMAS L. SEXSMITH

AFTER several trying years of effort the writer of this article at last succeeded in discovering a "system" for forecasting the action of the stock market which is successful enough to enable him to carry on profitable trading operations from day to day. In order not to unduly stimulate the hopes of any of his readers who may be of a too credulous nature he is going to call his "system" by its first name right at the "go in." It's name is Hard Work, and any who are disinclined to do just a little of the "old stuff" of which success is made had better turn on to the next page or so and start something else.

Since no one ever heard of a system without rules of some sort, you might as well have those that concern our system. Here they are, in their natural sequence: (1) *Observation,* (2) *Study,* (3) *Decision,* (4) *Action.* You cannot apply a single one of these intelligently without using each of the other three, so you must learn them all by heart, every one.

Let us begin at the beginning and take them up in regular order. First we have *Observation.* By that is not meant dropping into a broker's office now and then to take a casual glance at the tape or stock board, and on noting that stocks are up a few points jump to the conclusion that the market is a good purchase. Observation of the market means just two things. Either watching the tape seventeen hours every normal market week like a cat watches the elusive mouse, or the daily study of the transactions through the medium of some newspaper or publication that prints detail reports of daily operations. The writer uses a rather comprehensive series of tabulations of these daily operations for the purpose of obtaining a clearer impression of what is going on in the market, and also for the sake of the historical and comparative value of past action. It is not maintained that it is necessary, or even desirable, that every trader should keep graphic or tabular records, but in the writer's own case he finds such records, and in particular, the pictorial or graphic kinds, of material assistance. One must know what the market has done, recently at least, and exactly what it is now doing if he is to forecast, with any degree of intelligence, what it may do in the future. Yet how many traders could tell you what price their favorite trading stock sold at yesterday, a week, a month or a year ago? History has value because it is very largely the result of human activity, and humanity changes very little as time goes on. This verifies the saying that "history repeats itself." History cannot very well help it. History repeats itself in the stock market so often that at times it becomes monotonous. If it did not, there would not be any stock market, for no one would be able to make money trading in stocks.

Now we come to the second rule, *Study.* Likewise we begin to get acquainted with hard work. Applying ourselves, in the closest kind of concentrated effort, to the results of our observation of daily market movements, we find that certain phenomena of action nearly always precede another kind of action. In other words, ***nothing ever happens of lasting consequence in the market or elsewhere in the scope of mental or physical activity which has not been prepared for.*** Preparation properly precedes performance. It is a fundamental law, that goes back to the very beginning of time itself, to ages when eternity was young.

An instance of the application of that law to the stock market: Recall those fifteen trading days at the top of the buoyant December-January rise of last winter, when between January 21 and

February 6 the market, as measured by the averages of fifty stocks, hung persistently to the line 72, seven full points up from where it started, at 65, on December 15, 1913. During the fifteen trading days under consideration a round average of 500,000 shares changed hands, or an average daily volume about 50 per cent. greater than that of a normal trading day at the present time.

To observe activity such as this and think that it "just happened" is as idle as to ride along a Kansas roadway during June, with miles of rippling wheat fields reaching away from both sides of the road as far as the eye can follow, and to say to one's self, "That wheat just grew!" It grew, all right, but a grand, bronze faced, brawn and sinewy muscled army of Kansas farmers plowed, planted and cultivated those glorious golden fields for months before you saw them in their hour of splendid fruitage. What the farmer did was *preparation;* what you saw was *performance.* In the wheat field and in the market these two forces are inseparable, depending one on the other, and in turn, serving each other.

The long series of dull days that came during the month of November last, following the first rally from the goodly decline from the high prices of the previous September, was preparation for that vigorous, if not long-lived, outburst of bullish activity which culminated in the large distribution around the line 72 on the averages before referred to. Both of those periods were observed and recognized for what they were by those who had prepared themselves, through hard work, to do so. At the time they occurred they were not by any means so easily classified as they are today, but it is a fact, nevertheless, that there are those who did correctly identify them.

Like periods will occur again in the market. Of course, the "picture" made will not in every detail resemble those that have gone before, but if you study the market properly you will be able to recognize the points of similarity when they appear.

Now, in market action, performance of the move that had earlier preparation almost always merges into preparation for the move to come. The large volume days at the top during January and February, while performance for the preparation of November and December, were also part of the preparation for the decline into April, which ended during the last hour's trading on the 25th of that month.

In studying these two factors controlling price movement there is one maxim to be borne always in mind. It is this: *The sum of preparation is the total of performance.* In other words, if you can succeed in detecting where, when and how much preparation has been made, you will very soon be able to put your finger on the place where the next price movement is most sure to go. This is true of the smaller daily fluctations as well as of the major swings of the market.

Rule number three has to do with *Decision.* After observation and study the thing to do is to make up one's mind as to the present position of the market. Decision has nothing in common with doubt. Doubt of position *in* the mind; stay *out* of the market. But being in possession of the facts about the past and present action of the market through observation, you are enabled to study those facts until, as a natural result of intelligent thought, you come to the point of decision. A clear mind is essential to decision. That comes through observation and study. Somehow, you have the facts of the case before you and you take no man's say so. You feel that you *know.* That is decision.

Next comes that for which all that has gone before was but preparation. It is our last rule, *Action.* It was said that a clear mind was needed to make decision. So is it also necessary to action. Once before in the pages of this magazine the writer gave what was, in his opinion, the true formula for correct action in the market. It is again given here. *"Clear mind, confidence; confidence, courage to act."* And there you are. Unless you have confidence in your decision as to the correct thing to do you will not have the courage to trade succesfully. And it does require courage to do anything successfully. A cowardly mind never made a success, no more than a physical coward ever became a successful gladiator.

So you see, there is something to our "system" after all. Hard work wins.

Practical Points on Stock Trading

A Few Observations Based on Long Experience

By SCRIBNER BROWNE

VII—How News Affects Prices

WE come next to the effect of news announcements on the market, the extent to which they influence its technical condition, and the help, if any, that the trader or active speculator can get in interpreting technical conditions and immediate price movements, from watching the effect of the news.

Very few traders remain long in that simple and naive state of mind where they expect the market to respond directly to the news that comes out on the tickers. Most of them become confused by the apparently contradictory action of the market and the news. Many conclude that "It's all manipulation," or that the news and the course of the market have nothing to do with each other.

Yet we all know, in our sane moments —if we have such—that certain kinds of news must eventually control prices. When the earnings of a company fall off and disappear, so that it has to discontinue dividends, its stock is sure to decline; and its earnings were all along matters of current news. Rock Island has been a recent example. Likewise when earnings grow and dividends are begun on an apparently assured basis, the stock will rise; witness Seaboard preferred.

* * *

THE difficulties arise in connection with the element of time. This may be comparatively unimportant to the investor for dividends, or even to the long pull investor for profits; but it is highly important to the speculator and the trader, so much so that it comes pretty near being the whole story. For the active speculator, the question always is, not so much "Will this stock rise?" as "When will it rise?"

He will usually be dissatisfied to buy a stock and hold it for six months, paying interest and carrying his holdings through numerous fluctuations, before it begins to go up—even though he may be all the time perfectly well assured that the rise must come some time.

Seaboard, for example, hung around 45 for months last year, although all the best judges of market values declared that on its earnings it was worth 60. Even the declaration of its first dividend fell absolutely flat. The bull move in it did not start until general conditions were favorable. Then the price shot up rapidly nearly to the predicted figure.

It is unnecessary to go on quoting other examples. We are all quite familiar with the fact that the effect of news does not come always at the expected time—in fact, it rarely comes at that time.

* * *

APPLYING a little common sense to this matter, we see that it is all a question of (1) when the favorable or unfavorable developments become known to people who are willing to buy, and (2) when those people have the funds and actually make up their minds that it is time to put them into the stock.

Returning to the example of Seaboard preferred, the directors and of course many other capitalists undoubtedly knew in the latter part of 1912 that the 1913 fiscal year would make a fine showing for the preferred stock. Their anticipatory buying, in connection with the general bull move in the stock market, carried the price to 56½ in the fall of 1912. In the bear market, which ended in June, 1913, the price fell to 38. This was not due to any important falling off in actual earnings, but to the fear that earnings might fall off, together with high money rates and other bearish influences of a general character.

The price recovered with the rest of the market and about the time the first dividend was declared it touched 49⅜. A reaction to 43¾ followed in December, 1913. Then came the sharp advance

to 58 in the month of February, 1914.

The workings of the investors's mind in such a case are not hard to read. The first question he asks himself is "Are conditions favorable for an advance in the stock market?" If the answer is "No," then he doesn't buy anything. He merely bides his time. If the answer is "Yes," he proceeds to question No. 2, "What is the best stock to buy?"

When Seaboard, after its first dividend, was clinging to 45, the first question was not answered in the affirmative, hence a favorable answer on question No. 2 produced no effect on the price of the stock.

The same principles apply on the bear side. Take M. K. & T. preferred before the dividend was passed. Its poor earnings were a matter of general knowledge, yet the stock sold at 60 as late as last February. This was because at that time general investment conditions were improving and there was a possibility that Katy's earnings would improve enough to enable the road to keep up the dividend. When this hope proved unfounded the price dropped to 35 in April. Seaboard, on the other hand, reacted only from 58 in February to 51 in April, reflecting the greater willingness of investors to carry Seaboard through a period of business dullness.

Going back a little further, we find that Katy was down to 52 in June, 1913, rose to 58¾ in August, fell to 52⅛ again in November, and advanced to 60 in February, 1914, before it began its slide to 35. From June, 1913, to February, 1914, Seaboard was zigzagging gradually upward, while Katy had hard work to hold its own. The bullish condition of the money market was just strong enough to counterbalance Katy's poor earnings and temporarily to prevent a decline.

* * *

WHAT is the practical application of the above examples to the business of the active speculator? Simply this: By keeping track of the earnings and prices of these two stocks, he could make an intelligent choice *when he was ready to buy or sell anything*. He would not, by any chance, have bought Katy or sold Seaboard. He would have had Seaboard on his list of probable good purchases and Katy on his list of possible short sales.

And it is because shrewd investors and traders apply these principles in practice that prices respond to news in the apparently erratic, yet really reasonable and logical manner which we see exemplified in the markets every day.

Such manipulations as the famous cases of Hocking Coal and California Petroleum are becoming more and more rare, and when they do occur they are in a class of stocks that the experienced investor or trader should have nothing to do with. So long as he sticks to the standard issues he will have nothing to fear from *baseless* manipulation—and if manipulation is based on sound reasons it ought not to be called manipulation.

* * *

MANY persons who have long since passed that stage of mental growth where they would have asserted that news had nothing to do with prices, will still say that it is no use to pay any attention to news because it is always discounted by the price of the stock before it is made public.

This is true from one point of view, but untrue from another. New Haven, for example, suffered most of its decline before its dividends were actually discontinued. In that sense the news had been discounted. But on the other hand the earnings of the road had plainly foreshadowed, from month to month, the fact that it would not have money enough to pay its dividends.

Any one who will take the trouble to chart the earnings on New Haven stock from month to month from January, 1912, to date, along with the price, will see that the downward trend of the two lines is practically simultaneous—that is, simultaneous in the sense that it cannot be discovered that either line was discounting the other. Of course the movement of the price was influenced by other factors besides earnings—the money rate, the general swing of the market, speculative sentiment, etc.—but the influence of the earnings is easily traceable, and it cannot be shown that the price discounted the earnings.

Even when a change in dividends cannot be accurately forecasted from current earnings, it is often the case that the response of the price to such a change comes after the news, not before. In

January, 1914, Pressed Steel Car common sold as low as 26¾. It was not payiny any dividends, and the average investor had no way of knowing when it would pay them. Three per cent. was declared in that same month and the price jumped to 45 and remained above 40, nearly all the price movement coming after the announcement of the dividends.

* * *

IT all simmers down to this, that the stock market endeavors to adjust prices to actual values. If enough people —or rather if people with enough money —know about a coming news announcement and have the disposition to act upon their knowledge, then the price will discount the news. But if the price movement does not come before the news, then it must come after. It may come at once if other conditions are favorable, or it may be delayed until they become favorable.

It is useful to remember, however, that the same piece of news rarely affects the market more than once. If the price movement comes before the news, it will not be continued far after the news comes out. If the news has no apparent effect, either before or after it becomes known, then its influence has been saved up for the future, or has been temporarily neutralized by other unfavorable conditions.

The unfavorable conditions may be in "the situation," or they may be in the technical position of the market. In the latter case, observation of whether the market does or does not respond to the news often gives us an important line on the technical condition. Of this, more later.

(To be continued.)

From the Broker's Point of View

A Little Deal in Great Western Preferred

By One of the Fraternity

A COUPLE of months ago one of my clients was selecting some stocks for a long pull. He had about completed the list which I had submitted to him and had bought the larger part of his line.

Said he, "There is one stock you have not mentioned here; that is, Chicago Great Western preferred. I have noticed that this company has been showing very good earnings during the recent depression and would like to have you look into it."

I promised to do so and the next day reported that the company's monthly reports showed increases; its finances were sound; it was earning at the rate of 2 per cent. per annum, with every prospect of an increase as soon as the new crops made themselves felt. The forced conclusion was that a road which could pass through such a lean period of business for the railroads with such satisfactory results must do exceptionally well in boom times. Therefore I advised him to buy 100 shares Chicago Great Western pfd.

Examining the market for this stock I found it had been ranging between 28 and 33, the low point just previous to that time having been 28. It seemed as though there was very little of the stock for sale. It was not greatly depressed during weak markets. Only one or two hundred shares a day were recorded in the transactions. Little or no news or gossip about the company was being published and there was reason to think that someone was accumulating the stock.

The last sale on the previous day was 29, and when we received the order to buy 100 shares at the market price, the quotation was 29 bid, offered at 30½. My floor-man did the best he could, but could not secure the stock under 30¼.

(This was about the middle of March.) For the next few weeks Chicago Great Western pfd. showed little activity but some strength, gradually working up to about 33, and reacting to 30. Then a rumor appeared in one of the newspapers to the effect that the Grand Trunk Railway was considering the purchase of the control of Great Western on some sort of a guaranteed basis for the preferred stock. The rumor mill, once started, developed other stories of a similar nature and various roads were mentioned as probable lessees or purchasers, with promise of satisfactory treatment of preferred stockholders. Gradually Great Western pfd. rose to 35, 36, reacted, then began to boil, running up 1 or 2 points a day until on June 23, in a market that had already started to weaken, it touched the high point of 41½.

I tried to reach the client by phone; he was out of his office. He had left with my firm standing instructions for me to close out any trade at my discretion in case I could not reach him, but I felt that as he had chosen this stock and bought it for a long pull, he might not want to sell, so I hesitated to exercise my authority.

The market began to get a little ragged. Several days before it had shown signs of weakness and I felt certain a reaction was imminent. Suddenly Great Western dropped down quickly to 39¼. Again I tried to reach him by phone and learned he was not at the office.

The market rallied and with it Great Western ran up to 40⅞. Said I to myself, "This man has a profit of over 10 points in a market which shows every indication of declining. The time to take a tart is when they are being passed around, and the only time I am sure of this profit is *now;*" so with the tape showing 40⅞ for Great Western pfd. I gave an order to sell his one hundred shares at the market price and realized 40¾ for it. This was within three-quarters of the top on the entire rise of 13½ points, and within one-eighth of the top on the last rally. Great Western within a few days sold at 36¼, and has not (up to the end of June) sold at 40⅞ again.

During the period occupied by this upward movement I do not recall that any other stock advanced so much in proportion to its original selling price; so the movement was contrary to the action of the general market. Whether the rise was actually due to accumulation by the Grand Trunk or some other company, has not been disclosed up to the time of writing, but the rise had all the symptoms of being the kind of a movement in which rumor plays such a large part.

At the time we bought nothing was said about the property, but when it touched 41½ rumors were naturally thickest.

In reviewing this episode it seems to me that we acted in a purely professional way both in buying when the stock was heavy (but intrinsic value and earning power unimpaired), and when no rumors were about, also in selling on a big bulge, when so many verbal and printed inducements were offered to those in search of profits. By the term "professional" I mean that we acted just as a professional trader on the floor of the New York Stock Exchange would be expected to act, which is exactly opposite to what the public generally does. Outsiders seldom touch a stock when it is heavy and not featured in the news columns, but they are crazy to buy after a ten point bulge. Any one who will think this proposition over will recall how often he has done the unprofessional thing, and I am writing this to show the correct *modus operandi,* even though I must confess that I have not always followed it myself.

THE FORUM
Where Every One Has His Say

As the Romans gathered at their Forum to discuss questions of common good, we invite our readers to make this department their common meeting ground—to contribute their views on financial topics of general interest and to ask questions relating to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you should disagree with us or with our contributors, we will gladly print your criticisms, space permitting. We welcome suggestions. Tell us what articles best fit your needs and then we can serve you to better advantage. Write your comments as you would speak them. The style of your writing will not be considered—only the information you give. Write on one side of the paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of MAGAZINE OF WALL STREET.

The Tape Is the Market's Pulse

A DOCTOR writes, "I cannot see the sense in trying to forecast the future movement of prices by the action of the market. The accepted method has always been to study money, crops, railroad earnings, etc., and to buy when stocks were cheap in proportion to their intrinsic value. To me the tape is nothing but the record of the transactions. I don't take any stock in anyone being able to judge the market in this way."

I can understand this communication coming from any one but a physician.

Let me ask you, Doctor: When you receive a telephone call from a patient do you go and see the patient himself or do you run around and ask his friends and relatives all about him?

Do you hunt through the daily papers to see if anything has happened to him, or do you feel *his* pulse and make *him* stick out his tongue?

Do you judge by what people say about him, and their opinions as to his probable condition, or do you study his symptoms and try and diagnose his trouble from the facts? You carefully count his pulse; you take his temperature; you give him a thorough physical examination; you watch closely his response or lack of response to certain medicines, and usually you can tell within twenty-four hours just what the matter is and how it is best to cure him.

The tape is the pulse of the market. Every variation in its condition is reflected first on the narrow ribbon of paper, and there, in its original form you can learn the most about it. Just as your patient's pulse and temperature, his strength or weakness under certain treatment indicate to you his chances for recovery, so the market's spasms of strength, relapses into weakness, nervousness, feverishness, excitability; its absolute calm, its power to throw off depressing influences—these, to an experi-

enced observer, all point to a probable higher or lower range of prices.

If you could leave your patients long enough to sit with me at the tape I could point out to you the analogy between what is shown on the tape and what you observe at the bedside.

There used to be two methods of curing disease: cupping and bleeding. Aching teeth were extracted by means of a bed wrench. In those days a person advocating such foolishness as medical treatment, surgery, osteopathy, painless dentistry, etc., would have been clapped into the funny house.

But the world moves; the president of the largest National Bank in the United States recently said:

"There was a time when we used to gauge the outlook for business by the statistics of the production and the distribution of products and manufactures; by the state of the money market; by the record of accumulated stocks; by the condition of credits.

"With such statistical data of business in hand and correlated it was then by no means impossible to make a fairly accurate prediction of what the future had in store for a twelvemonth. We can most of us remember a time when, if given an accurate picture of the crop situation, the statistics of bank clearings, deposits and reserves, the data of foreign trade, the status of transportation and the statistics of the great industrial factors—such as steel, textiles and lumber—we could have formed a pretty intelligent conception of what was ahead of us in a business way.

"Then the statistics of business were a measure of the business outlook. It is almost startling to note how far from true that is today."

Mr. Vanderlip's purpose was to show that legislative tendencies were crowding out statistics as a guide to future conditions.

Legislation and its coming effects are shown in the action of the stock market itself. And the action of the market can best be studied from the ticker tape.

Things have changed, you see. They will continue to change. All of these changes will be reflected on the tape and finally the great majority of intelligent market students will perceive that the tape is the best indicator.

You doctors cannot judge the patient's chances of death or recovery by dissecting an arm or examining his teeth, nor can you accurately forecast the market by reading about crops, money, etc.

Facts now regarded as fundamentals will eventually be discarded by the most successful operators, on the ground that the market's own symptoms form the truest indications of its future course. The reason is that these symptoms represent the concrete judgment of many millions of men and that their combined judgment is more sound than that of any one man or group of men.

Compiling Railroad Statistics.

I have read your book "Investing for Profit" from page to page and found it intensely interesting.

Am endeavoring to obtain some profit therefrom, and take the liberty of writing you direct for information. How shall I proceed and where can I get the proper data to make tables, such as are found on pages 59 and 74 of your book? Those tables appeal to me as getting at the root of things.

On pages 57 and 58 you make mention of several manuals and books from which proper data might be had. I have the "Investor's Pocket Manual," but can not exactly feel my way through in getting at it right. I should not like to go to much expense in investing in other manuals that you name. Is it necessary to get anything else besides the "Investor's Pocket Manual?" If so, what do you recommend? What would be the cheapest and best to select from?

In view of the fact that I like your "Investing for Profit" so much, have decided to order your work on "Psychology of the Stock Market."—J. K.

Replying to yours of the 19th, you can get most of the necessary figures, covering the past five years, to make up tables like those on pages 59 and 74 of "Investing for Profit," from the monthly "Investors' Pocket Manual." The manual does not go back of that date. In some cases the mileage of railroads is not given in the pocket manual, but you will find most of them. If you do not find as much as you want in this, the "Manual of Statistics" would probably be the best thing to get. In all the principal libraries, brokerage houses, bond houses, etc., you will find a file of either Moody's Manual or Poor's Manual, or both. You can get the desired figures from these.

Liabilities of Failures.

I have your May issue before me and on page 93 thereof you print a tabulation of liabilities of failures. Can you furnish me with a tabulation of all the months of the various years and up to date of 1914?—K.

In THE MAGAZINE OF WALL STREET for November, 1913, page 29, you will find a diagram which will give you the best presentation of liabilities of failures since 1902. The article which accompanies the diagram explains the principles on which it is constructed. Liabilities of failures are naturally very much larger around January 1 than at other periods of the year.

Pig Iron.

Your question in regard to pig iron is answered in an inquiry to be found on page 284 of the July issue.

We do not make any allowance for seasonal fluctuations in the table of "Essential Statistics." The actual average monthly figures for southern pig at Cincinnati are given.

Technical Conditions—Averages—The Trend Letter.

(1) Is it as safe to trade through members of the New York Consolidated Exchange as through those of the New York Stock Exchange?

(2) Mr. Tubbs said in one of his articles a year or two ago, entitled "Lest We Forget," that the culmination of a rally is usually a dull, strong market, a wide opening, or a quick bulge during the last hour of the day. Now I want to know to which kind of rally he refers—the rally of several days, or weeks' duration, or any short rally extending for two days or so. Are these marks of the culmination also true for the end of a decline?

(3) During any narrow range of less than a point extending over a time, a short rally may occur with increased volumes and with a range of over 1 point, but not developing into a permanent upward movement. What does this indicate? A supply of stocks from some source or marking up prices, or public buying, or some other condition of the market?

(4) Which is more reliable for a trend-indicator—the ten-rail barometer chart or a chart of 10 continuously active stocks, including two or three industrials? I think the latter is better, for charts which do not take into account such stocks as Steel and Amalgamated Copper cannot be reliable enough.

(5) Kindly let me know if The Trend Letter advises trading in rallies like those that culminated on June 9 and 22 recently, as well as in real bull and bear campaigns. —M. L.

(1) While some members of the Consolidated Exchange are as reliable and as safe to trade with as most members of the New York Stock Exchange, the average responsibility of Consolidated houses is not as high as for members of the New York Stock Exchange.

Now that the "Police Committee," as it is called, has been appointed and is exercising an active supervision over the methods of the New York Stock Exchange members, we consider that the chance of failure on that Exchange has been almost completely eliminated.

(2) We think Mr. Tubbs referred, in the article you mention, to a rally of a week or more duration. We do not know whether he would say that the same indications would hold at the bottom of a break. The important thing is to get a correct idea of the general technical position of the market. This cannot be done by basing your reasoning on any single factor or any two or three indications. It is a matter of constantly watching the market and endeavoring to decide whether there is a large or small floating supply of stocks, whether selling is easily precipitated by adverse news, whether the market shows strong resistance to bearish developments, etc., etc., as explained by Scribner Browne in his series of articles now running in the magazine.

(3) We could not make any definite answer to this question, for the same reasons as explained in answer to Question 2. If you will give us the date of the period you have in mind we will endeavor to look the matter up and give you the conclusions which we would draw from the action of prices at that time.

(4) We prefer a chart of 10 continuously active stocks, including two or three leading industrials. However, as we have stated a number of times before in the magazine, we think good results can be obtained from the ten-rail chart or from almost any selection of 10 or more leading active stocks. Our idea is that the rails should predominate in such a chart, because of their greater aggregate importance and stability, but we see no reason why the most important industrials should be left out entirely.

(5) The object of our Trend Letter is to indicate the broad trend of the market to the best of our ability, that is, the principal bull and bear campaigns. We do not as a rule advise trying to catch the minor fluctuations.

Owing to the narrowness of the market caused by uncertainty regarding the Rate Decision our subscribers who are classed as Traders and Long Pull Operators were advised to keep out of the market during the period you mention. But the decline which ended on June 25 was distinctly forecasted in The Trend Letter. They were free to act on it if they chose.

Study of Averages and Averaging.

In your letter to me you state that "there is much to be learned along the line of averages." What books must I study to get that information?—F. K.

You would find more information in re-

gard to the study of averages in "Studies in Stock Speculation" in Volumes V and VI of this magazine than anywhere else, but unfortunately our stock of these volumes is exhausted, and they sell at a premium when they can be obtained from those willing to part with them.

We would also refer you to the following pages of other volumes which we have on hand for sale at the regular price of $1.67 each, postpaid. Some of these articles deal with the study of averages, and some with principles of averaging, which is a slightly different thing:

Buying and selling zones, as shown by the averages, Volume VII, page 54.

A series of four articles on the principles of averaging, Volume VIII, page 256; Volume IX, pages 26, 117, 176.

Averaging with the Trend Letter, Volume XI, page 132.

The Wall Street Journal's explanation of the method of using the Dow-Jones averages, Volume XII, page 491.

We do not know of any published book which would give you much help in this direction.

"The Architect."

Your June issue, on page 185, refers to "The Architect" articles or chart. Should like to know where these can be had.—Celina.

"The Architect," as he chose to sign himself, contributed three articles to this magazine in regard to his methods of judging the speculative movements of the stock market.

The first article was entitled "Calculating the Force of the Market" and appeared in Volume VII, page 112. Two other articles on the use of "The Stock Register" and giving miscellaneous suggestions appeared in Volume VIII, pages 195 and 259.

We have these volumes in stock and can furnish them at the regular price of $1.67 each, postpaid.

"The Architect" does not explain in full his methods of operating, but he gives a general idea of them, and we think you would find the articles and accompanying graphics suggestive and valuable.

Comments on the Bond Market by a Stock Man.

Investors have been buying bonds all the year (that promises a bull market eventually), but more are for sale now than there are buyers to bid for them.

If "insiders" knew that rate decision is to be favorable would we have had a sagging bond market now?

Bonds have not recovered their shakeout of late June.

Will stocks go very high while investment buying (as shown by action of bond market) is dormant for the time being?

In the old days began to advance long before stocks. That is ancient history now, however. Nevertheless bonds should at least display hardening tendencies for a week or so before a rise in stocks. Insiders want to see some evidence of possible response before marking prices up.

The Instalment Plan.

If I buy stocks on the instalment plan and the firm with which I am dealing fails, what chance have I to recover my money?

I was thinking of investing under this plan, but would like to be enlightened on this important point.—Constant Reader.

We would refer you to the article entitled "A Savings and Investment Plan" in this magazine, July, 1913; also "Safeguards Against Possible Failure of Brokers" in May, 1913.

The important thing, however, is to select a conservative, reliable brokerage house, member of the New York Stock Exchange. Then your chances of loss through failure are very slight—far less than in any other line of business.

Interest Rates.

In your July issue Mr. Scribner Browne states that the present period of high interest returns on bonds will probably prove to be temporary. I would like to know his reasons for that statement. It seems to me that the world's demands for capital are growing faster than population or wealth, because of the heavy cost of modern machinery and the great expense of public improvements, to say nothing of wars, maintaining armies and navies, and so on. Now, interest simply measures the proportion of demand for capital to supply of capital. If the demand is increasing faster than the supply, as it seems to me it is, interest rates on bonds and notes will average higher—T. L.

We submitted this problem to Mr. Browne and he replied as follows: "In regard to the first point, 'the heavy cost of modern machinery,' your correspondent overlooks the fact that modern machinery multiplies the productiveness of labor far beyond the cost of the machinery. Take the shoe business, where machinery has been applied more extensively than in any other line, so far as I know. The wear and tear on the machinery and the interest on the money invested in it add something to the cost of every pair of shoes manufactured, but this is a mere bagatelle compared with the tremendous increase in the number of shoes manufactured per employee, as compared with hand work or with old-fashioned machinery.

"The same principle applies in all industries. The increased requirements of capital resulting from the greater use of machinery are far more than counterbalanced by the rapid piling up of capital which results from the tremendous growth in the productiveness of the labor employed.

"Many public improvements, also, operate indirectly to increase the product of labor —such as the New York subways, new water system, etc. Cheap and rapid transportation and good water lessen the cost

of living and increase the efficiency of workmen. Some public improvements are, it is true, in the nature of luxuries, and those operate in the direction indicated by T. B., as also does the entire cost of wars and armaments. These wasteful expenses are doubtless increasing faster than wealth. Improved methods of production have resulted in a big increase in wealth during the last twenty years, and as wages have not increased in proportion, a large part of this wealth piles up in the form of permanent capital for investment in the world's productive enterprises.

"Tosti, in his melancholy song 'Goodbye'—beloved of fat old ladies because it makes them cry—remarks that 'Every tomorrow shall be as today.' I don't suppose Tosti was an authority on interest rates, but his sentiment applies to them very forcibly. Demand and supply of capital tend to balance each other in the long run, and interest rates will go on swinging upward and downward in the same old way—unless the Socialists get control of things. I wouldn't undertake to say what would happen then."—S. B.

The Trend Letter Saved Him Money.

"I want to take this opportunity to express my appreciation of THE MAGAZINE OF WALL STREET and its composite information.

"After four months of 'watchful waiting' I hope soon to have an opportunity to attest to the Trend Letter, for surely were I not a subscriber I should have been in the market several times at the top and most assuredly out at the bottom. Fortunately I have followed your advice and been out most of the time."—J. D. F.

The Magazine Is Welcomed.

"Your magazine is a welcome visitor and seems to improve with each issue."—J. C. B.

What They Tell Each Other About the "Home Reading Course."

(Letter from a student to a friend, of which he kindly sent us copy.)

I am taking the liberty of sending your inquiry to THE MAGAZINE OF WALL STREET and am asking them to send you a sample copy of their magazine and special literature about their "Home Reading Course," which, Charlie, I think is the best investment I ever made.—E. W.

Put Your Certificates in Your Own Name.

Don't carry stocks around in your pocket or let them lie in your safe unless they are first transferred to you or your wife or your broker.

The stock may not pay dividends, but a clean, new certificate has this advantage: It cannot be claimed by someone else from whom it might have been stolen or obtained by fraud.

It is yours. Title passes with the transfer.

For the Brokers' Publicity Manager.

Will you let me reply to that "one of the fraternity" who wrote "From the Brokers' Point of View" in your July issue?

I lay claim to being an advertising man. At present I am watching closely the development of financial advertising. I believe in its future. It will soon start to grow and when it does, our author-broker friend will learn that there is a way to cash in on the inquiries which now are only a source of annoyance to him and of dissatisfaction to his client.

Take, as an example, the case he cited—"Is Steel common a good buy as an investment?" I once asked that same question of my broker and received much the same reply. However, I was talking to the broker personally and therefore got his full meaning, as I could not have done had the inquiry been answered by mail. In this latter case I suppose I would have been just as much dissatisfied as the investor mentioned.

And without doubt my broker's letter to me, had there been one, would have closed in much the same way, "'hoping to receive your order' and the other trimmings which accompany the run of brokers' letters."

When, oh, when will the brokers discard this utterly hopeless "hoping" that we will spend our money so that they can collect their eighths? The first broker who gets down to SERVICE in writing his clients and forgets his own selfish desires will have the field all to himself for a time.

Why not in answering such a letter explain both phases of the question, and talk "you" and not "we." "You must bear in mind," let the letter read, "that there are two conditions to your question (1) Is Steel a good buy? (2) A good investment? Steel at present is in a strong technical position."

"But on the other hand, Steel common is not to be considered as an investment under present conditions. It is a speculative stock. In fact, at the present time it does not earn the dividends it is paying. Its future is much involved and it is not a stock to buy and lay away in the strong box for a steady income."

And then tell him of Steel preferred and the advantages it possess. But stop just there—if your muse will not permit some more ingenious and action-getting phrase than "hoping to receive your order." If you can add another pat on the back, by all means do it and let me think, if it is to me that you are writing, that I'm really somebody and that my business means something to you.

Just another word, and that about "investment." You of Wall Street no longer recognize "speculation" and "margin trading." They are passé, and why? Is it not only because the "fraternity" prefer that it should be that the average man in Wall Street be known as an investor, whether he "invests," "speculates," "trades" or "buckets"?

So, at least, it seems to me—A Humble "Investor."—R. H. W.

Book Reviews

Poor's Manual of Public Utilities for 1914. Street Railway, Gas, Electric, Water, Power, Telephone and Telegraph Companies. Second annual number. Cloth, 2172 pages, including numerous maps and comparative tables. (Poor's Railroad Manual Co.) For sale by Magazine of Wall Street, price $7.50 delivered.

The 1914 edition of this standard manual includes about 400 more companies than last year and is 248 pages larger. The descriptions and comparisons have been amplified in many respects and information given showing whether interest on bonds is payable without deduction for the Income Tax. The book contains statements of practically every public service corporation in the United States and of many in other countries—showing income accounts and balance sheets wherever possible. A larger number of public service corporations is covered than by any previous work. The general index is an important feature, as it permits instantaneous reference to any company listed in the book. There is also an extensive record of stock and bond prices covering the past ten years.

This book will be needed in the library of every investment house or large individual investor. It contains a wealth of information, much of which is obtainable nowhere else.

Rational Stock Speculation. By Walter Thornton Ray. Published by the Author; 86 pages, bound in cloth, with numerous charts. For sale by Magazine of Wall Street. Price $2 postpaid.

Mr. Ray is one of an increasing number of students who are giving thorough and scientific study to methods of speculative investment. His book takes up various graphic charts, some of which are as follows: Advantages of Logarithmic Spacing of Cross-Section Paper, Interest Rates, New York Interest Rates, Foreign Open-Market Interest Rates, Foreign Banks' Official Discount Rates, Prices of Iron and Steel, Prices of the Non-Ferrous Metals, Prices of Commodities in General (Index Numbers of Prices), Iron Production in the United States, Unfilled Orders for Steel, Bond Transactions on Stock Exchanges, Bond Security Prices, Volume of Stock Sales on the New York Stock Exchange.

He places great emphasis upon the use of logarithmic spaced paper and all his charts are drawn on that plan. He also explains his method of eliminating seasonal variations in statistics. The greater part of the book is devoted to a detailed study of the various graphics with a view to finding out whether, or to what extent, they forecast coming movements in the stock market. In his summary the author explains how much weight he thinks should be placed on conclusions derived from each of the graphics.

The book is well worth the attention of those who are making a special study of the interpretation of statistics bearing upon the stock market. It is necessarily rather technical, but is so arranged and explained that it can be understood by any one without special knowledge of higher mathematics. The author states that he intends to revise the book from time to time so as to keep the graphic charts up to date.

Conquest of the Tropics. By Frederick Upham Adams. Cloth, 368 pages, including index, with numerous maps and half-tone illustrations. (Doubleday, Page & Co.) For sale by Magazine of Wall Street. Price $2.24 postpaid.

An unusually handsome book, giving the story of the creative enterprises conducted by the United Fruit Company. Some of the chapter headings are: Our Neglected Tropical Neighbors—The Modest but Mighty Banana—Attacking the Wilderness—Laying the Foundations—Birth of The United Fruit Company—Growth of a Great Enterprise—Twelve Years of Creative Work—In the Wake of Columbus—Where the Banana Is King—In Beautiful Costa Rica—The Awakening of Guatemala—Along the Coast of South America—Exploring the Sugar Bowl of Cuba—Health Conquest of the Tropics—An International Tropical Farm—Lessons Taught by the Banana.

The book contains a vast amount of historical and general information in regard to the countries where the United Fruit Company operates, the methods employed by the company, the character and extent of its business, etc. It is the first of a series of books planned to describe certain big businesses whose histories and operations concern and should interest the public. All statements of fact have been verified by officials of the United Fruit Company. The book will be of interest not only to investors, but also to a large section of the general public which has enough knowledge of the methods and achievements of this company to want to know more.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until the fall of 1913, when purchases were recommended. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.—THE EDITORS.]

ADVANCE summaries of the Rate Decision, apparently reliable, put the increases to be allowed the roads east of the Mississippi and north of the Ohio at a total of about $16,000,000. This would make the increase about 1½ per cent., where 5 per cent. was asked for, but the increase will not be evenly distributed. It is stated that no increases will be granted in New England, nor on any commodity rates.

This probably means a gain of about one-half of one per cent. on the common stock of New York Central and Pennsylvania, less than that on Erie, and nothing on New Haven—if as reported no increase is granted in New England. If these roads had had the advantage of such an increase during the last six months, New York Central would have earned at the yearly rate of about 3½ per cent., and Pennsylvania at the rate of about 7½ per cent.—the latter road having been much more successful in cutting down expenses than the former. On the basis of the year ended June 30, Erie common would have earned, with this increase, about 1 per cent. and New Haven would have been unchanged at a deficit of about ⅓ per cent.

It is evident, therefore, that the long-awaited rate decision has not proved to be the important matter that railroad men had hoped. At the same time every little helps, and the decision at least shows this much—that it is possible for a railroad to get increased rates under the present iron-handed control exercised by the Commission.

But the main hope of the railroads must be in reduced expenses, increased efficiency, and an improvement in general business conditions. Our railways are already efficient, but there is never any absolute limit to the growth of efficiency. The history of railroading has shown a steady progress in this direction and there is no reason to suppose that it will stop now. As for improved business conditions, history also shows that they are bound to come, though their arrival may seem slow.

* * *

THE graphic of the condition of New York banks (not including the trust companies) which accompanies this department shows a remarkably sharp decline in both excess deposits and surplus reserves. As we have remarked before, the effects of new laws on banking conditions prevent us from placing quite as much weight as heretofore on the indications derived from the graphic.

Several special conditions have operated to pull down deposits and cash in the banks. First, the big gold exports. Second, payments to the Government for the corporation tax. During the four years this tax has been in operation, these payments have invariably produced a dip in reserves and deposits about July 1, except in 1913, when the effect of the payments was counterbalanced by other factors.

Third, the income tax payments, made for the first time this year. This was without question an important cause for the decrease in the surplus, though there is no way of estimating the exact amount of the loss to the banks resulting.

Fourth, the large payment made by Greece for the two battleships purchased from the United States Government. This resulted in a still further absorption of funds by the subtreasury at New York.

Fifth, it will be remembered that the line of excess deposits on this graphic is corrected to eliminate changes which are due merely to the season of the year, as shown by a study of previous years. This correction operates to reduce the excess deposits by about $17,000,000 on the last bank statement.

Even with all these special factors operating, the excess deposits were not reduced to the zero point on the graphic, and the last bank statement showed the beginning of a recovery. As we are now raising a big crop to be moved this fall, it is not likely that excess deposits will again rise to the high point of last June; but there is every reason to anticipate comfortable banking conditions throughout the rest of the year.

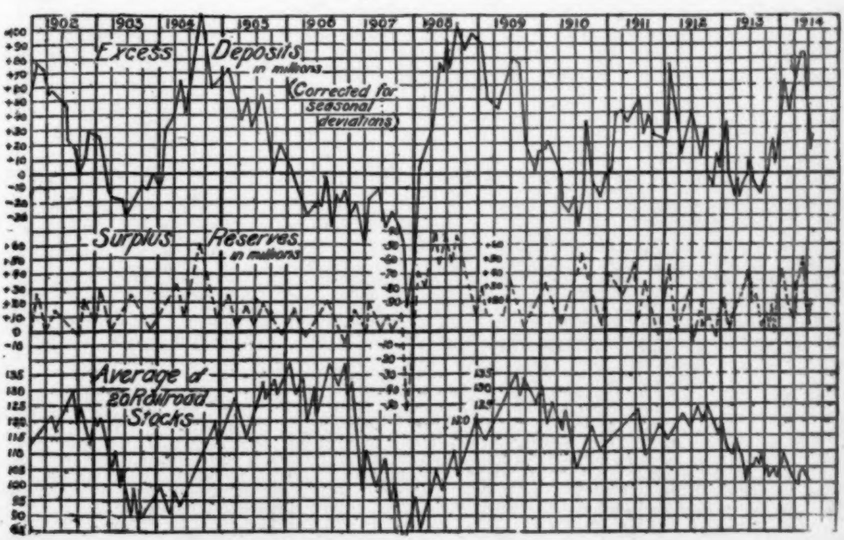
* * *

IN the last "Market Outlook" attention was called to the regularity in the movements of the price of pig iron, iron production, and the unfilled orders of the U. S. Steel Corporation in previous periods of trade depression, and it was shown that so far in 1913 and 1914 the movements of these factors had been an almost exact repetition of the past.

Another month has merely served to confirm this similarity. We have seen a further decline in the price of Southern Pig, a further reduction in iron production, and a small increase in unfilled orders. If history continues to repeat itself—as it does with slight variations, at least in this industry—we shall next witness a further gradual increase in orders, an increase in iron production within a month or two, and a little later a recovery in the price of iron. Unsettled political conditions may retard this movement, but we believe it is entirely safe to say that they will not nullify it entirely. The laws of trade fluctuation are stronger than the laws passed by Congress.

* * *

THE stock market has not discounted business recovery to the same extent as has been usual at this period of



NOTE.—The above graphic shows (in millions of dollars) the general course of the excess deposits and surplus reserves, of New York clearinghouse *banks* (leaving out the trust companies), and the broad movements of standard railway stocks from 1902 to date. The line for excess deposits has been adjusted to a non-seasonal basis. The lines for surplus reserves and for the stock market are not thus modified. The *upper* zero line represents equality of loans and deposits. The *second* zero line represents reserves equal to 25% of deposits. The principles on which the graphic is based and the exact method of constructing it are fully explained in Mr. Selden's book entitled "Investing for Profit."

the iron cycle. This, however, has been chiefly due to the changed position of the railways. Under the same conditions ten years ago, the roads would undoubtedly have raised their rates ere this, and the better income resulting would have permitted higher prices for railway stocks. Strict Government control of rates has prevented such action in the present instance.

The poverty of the railroads has reacted on other industries. Even at that, however, such stocks as Amalgamated Copper, Can, Car & Foundry, Steel Foundries, Telephone, Tobacco, Bethlehem Steel, Central Leather, Chino, General Electric, Harvester, National Biscuit, People's Gas, Pressed Steel Car, Republic Iron pref., Sears-Roebuck, United Cigar, U. S. Realty, Rubber, Steel common, Utah Copper, Westinghouse, Woolworth, and others, average about ten points higher than the low of 1913. The depression in railway stocks has obscured the real improvement recorded by most of the industrials.

* * *

IT is to be borne in mind that we are now in the depressed period of the twenty year cycle, as well as in that of the minor, or three to four year cycle. For that reason we cannot expect as rapid a recovery as in 1908, for example, when the depression of the minor cycle came in the swell of the long twenty year swing.

On the other hand, conditions are much more favorable than they were in 1894. We were then suffering from that worst of all economic ills, doubt as to the maintenance of the money standard. Now we are not only free from that doubt, but we are just inaugurating a new banking system which will permit a considerable expansion of credit on the same money base.

Unfortunately, the opposition of the Senate to the appointment of eminent bankers on the Federal Reserve Board tends to cloud the prospect in this direction. The success of the new system depends very largely on the personnel of the board. But under any conditions normally to be expected, it seems certain that a considerable expansion of credit will result from the change. If trouble is to come, it will not appear until later, when the danger of inflation comes with active trade and widely extended credit.

Our recovery from depression, therefore, would naturally be more rapid than in 1894, but not so quick as in 1908 or 1904. Yet when it does come, it will coincide with the beginning of the upward swing of the twenty year cycle, and will therefore have the greater chance of being on a sound and permanent basis.

* * *

IT cannot be denied that the administration, with the best intentions in the world and doubtless with the accomplishment of some very desirable reforms, has nevertheless lost the confidence of a great number of business men through a spirit of unreasonable antagonism toward invested capital. Our whole industrial system is founded on the investment of capital; nearly all this capital is owned or controlled by private investors; and our laws give these private persons the right to invest or not, just as they see fit—in other words, the right of property. Under these conditions, and so long as such conditions endure, it is useless to antagonize capital, for we can't get along without it.

There have been signs of late that President Wilson—a trained economist—recognizes this condition and would be glad to cultivate the friendship of business men; but as much cannot be said of the Democratic Congressmen behind him. They still have their eyes fixed on a superficial and noisy public sentiment which seems to imagine that the investment of capital can be forced. Meantime, there is a quiet reaction going on among the thinking public, and it will indeed be surprising if this part of the public does not make itself felt at the polls next fall.

* * *

IN a word, better conditions are in prospect for the investment markets and have even been achieved, in a moderate degree, during the past year, as regards the best bonds, many industrial stocks and some railroads. It is time to plan constructive policies in business and to buy selected securities judiciously, or to hold those already bought. But only moderate speculative activity can be expected for some time to come.

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

THE crop outlook continues to be the most promising feature. Winter wheat alone will probably come within 30,000,000 bu. of the five-year average for both winter and spring combined. Yield of wheat, corn and oats combined may equal 5,000,000,000 bu. Cotton, however, shows lowest condition since 1907.

Firmness of high-grade bonds is gratifying. Most of the published bond averages contain some medium or low-grade issues, and therefore show a little reaction, but the best bonds do not decline.

Money market, though a little firmer as a result of the gold exports and big payments to Treasury, is still easy and looks likely to continue so.

Resistance to bear news is a prominent feature of the stock market. The good stocks hold their own well against sharp declines in special issues.

Commodity prices, while as yet showing no advance, have apparently stopped going down. They have remained nearly stationary, according to Bradstreet's Index, for three months. This is important, as business conditions can't improve much on falling prices.

Bank clearings first half of 1914 have equalled 1913 and 1912 and have exceeded all other years. This shows that the business depression is largely confined to the constructive industries. However, clearings have not shown normal growth since 1910.

Steel and copper conditions are, to say the least, not growing any worse, and many claim that distinct signs of improvement are visible.

Wilson's conferences with business men are hailed as a move in the right direction.

Mexican situation, with the resignation of Huerta, looks more favorable.

Success of French loan, while not affording any immediate stimulus to foreign markets, has helped to strengthen underlying conditions abroad.

Unfavorable

PENDING legislation at Washington is perhaps the most bearish item, because it keeps business men uncertain as to what they are going to be "up against." Many ultra-radical proposals are being made and the general attitude of politicians toward Big Business is not encouraging toward further expansion.

Struggles of several weak railroads to keep their heads above water, and charges of Interstate Commerce Commission against leading companies, keep the situation unsettled. It really would seem, however, that the aftermath of past mismanagement must be nearing its end.

Commercial failures continue large, swelled, of course, by the Claflin receivership.

The heavy gold exports, together with the mid-year corporation and income tax payments, have pulled down cash reserves of New York banks, and have sharply reduced the excess of deposits over loans. Part of this loss is doubtless temporary. Money market only slightly affected.

Further European liquidation has put in an appearance in the New York market recently, partly due to continued depression abroad and partly to the dubious prospects of some of our railroads.

Prolonged dullness of the markets shows the unwillingness of investors generally to put their funds into securities until conditions are more settled.

Great number of idle cars, although beginning to show the natural seasonal decrease, points to dullness in constructive lines, which generate the heaviest demand for freight transportation.

Attitude of Senate Committee toward the President's appointment of Paul Warburg to the Federal Reserve Board is extremely discouraging. Men like Mr. Warburg are likely to be badly needed on that Board.

Imports of merchandise are running the heaviest on record, while exports are, if anything, below normal. It is hoped that big crops may help to remedy this condition, which otherwise tends to undermine our bank reserves by encouraging gold exports.

The Iron and Steel Situation

A Movement That Seems to Be the Turn of the Tide

THE latter part of the month of June and the early part of July gave some promise for the iron and steel business. The factories did not run any better than for the previous few weeks, but the orders improved to such an extent that it began to look like real business again to many.

In fact, one or two of the representative iron and steel trade papers voiced their opinion to the effect that the corner had been turned and from here on a turn of the tide could be looked for.

One fact of encouragement stands out, and that is that the rate of production during the month of June and early into July increased something like 5%, which found the mills operating at around 65%, as against between 50 and 55% the month previous. This good beginning was being followed by equally as good business up well toward the middle of July.

When it is considered that normally during the summer months, when the heat makes it impossible to run the mills at anything like the capacity of the colder months, this increase should have taken place, the signs are surely portentous.

Thirty to sixty days ago there were quite a few predictions that the steel works here and there would close down for a period of possibly several weeks during the summer. The fact that so far there has nothing like this appeared on the horizon is another good omen of the situation.

The buying during the latter part of June and early in July was good, but could have been better had the manufacturers accepted the orders that many desired to place with them for fall delivery and at the same price as for earlier delivery. But the manufacturers have steadfastly maintained their position of refusing to take business at ruinous prices. They have said they will have business with a little profit or no business at all.

So that prices have been stationary during the past few weeks.

* * *

THE future of the iron and steel position as one authority puts it must be regarded from two separate viewpoints. First, from the technical point of view and, second, from the point of view of what effect general business will have on the iron and steel market.

From a technical point, it continues, the position of steel prices is extremely low and if not at the bottom mighty close to it. Stocks of material in the hands of everybody concerned with the trade are low. The general business uncertainty has frightened everybody. All these things, it will be observed, are favorable to a strong and steady and prolonged upward movement in the trade.

But the impelling force must come from without and that force will be the general improvement all around in the country and general business.

Everyone is familiar with the factors that are holding back general business, so it is not necessary to repeat them here.

So it is merely a matter of casting up, as it were, a balance sheet of the things for and against an improvement in the general business of the country. Liquidation there certainly has been and with everyone on the watch against running into foolish business transactions there ought soon to be the condition where it is utterly impossible for things to remain in such stagnation as is the situation now.

The steel and iron trade will loom up strongly just as the dawn of a general business revival breaks.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
July, 1914	4¼	3½	25.4	98.0	.....	......	$34.53
June, 1914	3⅞	3½	27.6	94.7	.....	......	35.19
May, 1914	3⅞	3½	27.5	94.7	15.8*	104.4*	35.20
July, 1913	6	4⅞	25.6	99.1	15.6†	102.7†	34.64
" 1912	4½	3½	25.6	97.9	16.9†	103.6†	34.34
" 1911	3⅞	3⅛	26.3	97.4	17.1*	105.3*	34.20
" 1910	5¼	3⅜	27.5	100.6	16.0*	104.5*	34.33

*March. †February.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City (000 omitted)	Balance of Gold Movements —Imports or Exports (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
June, 1914	$56,102	$13,970,179	$6,125,976	....	....
May, 1914	30,014	13,188,043	5,949,511	Ex. $14,863	Im. $1,987
June, 1913	59,001	13,731,495	5,977,975	Im. 2,817	Ex. 32,159
" 1912	428,775	13,628,381	5,667,290	Ex. 1,560	Ex. 7,203
" 1911	166,751	13,833,421	5,616,887	Im. 1,693	Ex. 18,899
" 1910	152,566	13,841,758	5,477,437	Im. 2,977	Ex. 8,011

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Production of Copper (Lbs.) (Millions)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
July, 1914	8.65	2,549	$13.25	.....	13.6	...	.....
June, 1914	8.62	2,595	13.63	1,918	13.8	141	4,032
May, 1914	8.62	2,585	13.75	2,093	14.0	142	3,998
July, 1913	8.95	2,669	13.75	2,628*	14.2	121*	5,807*
" 1912	9.11	2,705	14.70	2,440*	17.2	122*	5,807*
" 1911	8.59	2,517	13.25	1,787*	12.4	124*	3,361*
" 1910	8.92	2,362	14.75	2,265*	12.2	127*	4,257*

*June. †Last day of mo.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions. Winter Wheat.	Spring Wheat.	Corn.	Cotton.	Babson's Average 10 Leading R. R. Bonds.
July, 1914	219,542	....	....	94.1	92.1	85.8	....	92.2
June, 1914	241,802	$49,399,050	$45,388,863	92.7	95.5	....	79.6	92.5
May, 1914	228,879	50,648,007	20,101,661	95.9	....	....	74.3	93.0
July, 1913	63,704	48,978,095*	17,392,469*	81.6	73.8	86.9	81.8*	91.3
" 1912	64,024	57,545,437*	15,815,971*	73.3	89.3	81.5	80.4*	97.4
" 1911	163,621	56,409,783*	13,173,987*	76.8	73.8	80.1	88.2*	98.2
" 1910	142,865	50,116,725*	10,289,920*	81.5	61.6	85.4	80.7*	96.8

*June.

Babson's

Market Statistics

For Month Ending July 20, 1914

	June.	Dow Jones Avgs. Inds.	Dow Jones Avgs. Rails.	50 Stocks High.	50 Stocks Low.	Total Sales.	Breadth (No. issues.)
Saturday	20	81.52	103.06	69.02	68.82	63,700	85
Monday	22	81.58	103.54	69.29	68.84	184,900	110
Tuesday	23	81.19	102.91	69.15	68.75	196,300	115
Wednesday	24	80.23	101.73	68.37	67.67	350,300	137
Thursday	25	79.30	100.63	67.67	66.82	456,700	157
Friday	26	80.06	101.31	67.56	66.95	285,100	121
Saturday	27	80.11	101.39	67.69	67.53	67,900	77
Monday	29	80.00	101.28	67.66	67.41	68.500	67
Tuesday	30	80.64	102.41	68.25	67.35	268,100	109
	July						
Wednesday	1	80.33	102.05	68.27	67.93	127,400	97
Thursday	2	80.64	102.24	68.21	67.94	92,600	94
Friday	3	81.27	102.68	68.73	68.29	149,300	110
Monday	6	81.40	102.70	68.85	68.62	92,800	101
Tuesday	7	81.60	103.05	69.08	68.41	204,600	110
Wednesday	8	81.79	102.76	69.05	68.51	204,200	120
Thursday	9	81.61	102.75	68.91	68.30	195,300	118
Friday	10	81.30	101.85	68.38	67.75	252,400	124
Saturday	11	81.25	101.80	67.99	67.58	107,100	88
Monday	13	80.86	101.06	67.88	67.03	279,200	109
Tuesday	14	81.11	101.34	67.57	66.91	242,100	128
Wednesday	15	80.34	100.70	67.46	66.11	356,500	128
Thursday	16	80.43	100.63	67.10	66.56	295,100	112
Friday	17	80.41	100.01	66.94	66.17	312,700	137
Saturday	18	80.57	100.49	66.75	66.36	118,500	97
Monday	20	80.41	98.30	66.12	65.81	215,900	107